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# Credit World

APRIL 1945

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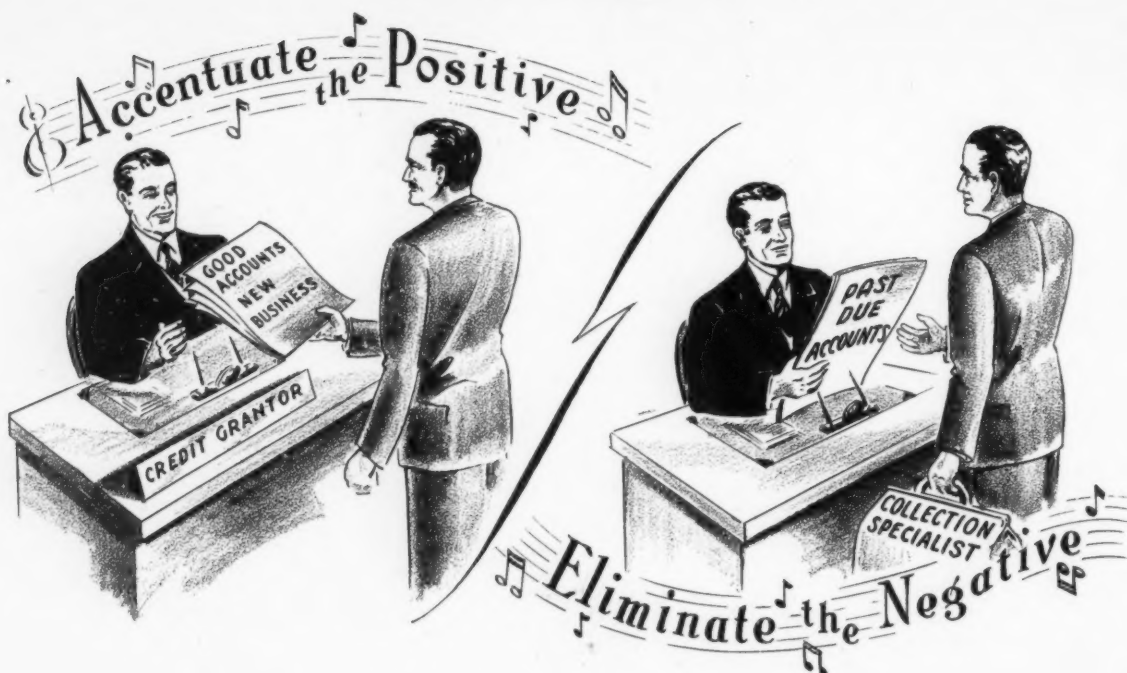
Questions and Answers About the G.I. Bill  
A Banker Looks at Installment Financing  
Journeyings of the General Manager  
"I Do Not Agree With Mr. Carney"  
It Happened to Me

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Business Conditions and Outlook  
National Membership Activities  
Granting Credit in Canada  
Monthly Credit Statistics  
Credit Department Letters  
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Recent Elections  
In the News



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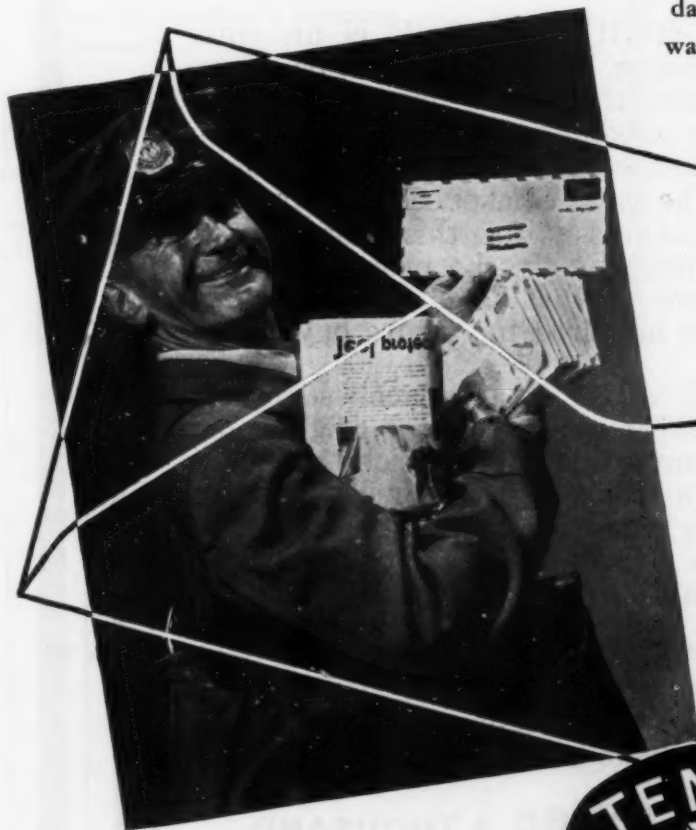
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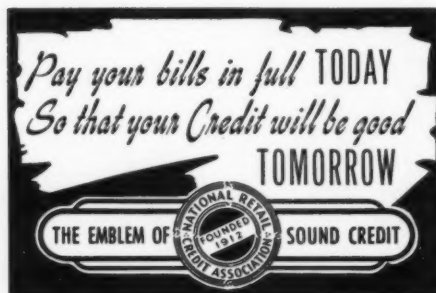


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# The CREDIT WORLD

L. S. CROWDER  
EDITOR



ARTHUR H. HERT  
ASSOCIATE EDITOR

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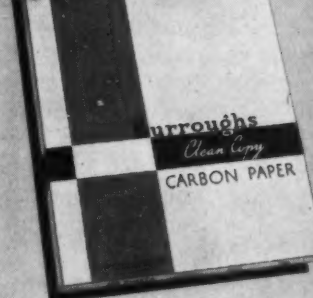
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# A Banker Looks At Installment Financing



*Elmer E. Schmus*

ELMER E. SCHMUS is Vice-President of The First National Bank of Chicago. He gave this address at the Eleventh Annual Business Meeting of the American Finance Conference held in Chicago, Ill., November 17, 1944.

WE ARE NOW nearing the end, according to current war reports, of our conflict with the remaining Axis power in Europe. In this accomplishment our armed forces fighting against tremendous odds receive our deepest gratitude for their victories and American industry especial credit for its outstanding preformance in providing the implements of war. This will finish one war but not the other, and it is quite possible that the Asiatic war will continue longer than most of us expect.

This, then, is the pattern under which we shall enter the immediate post-war period and may look forward to a partial demobilization of the war effort, since a full scale of operations may not be needed. There are already indications of relaxation by the War Production Board looking to the resumption of production for civilian use, such as its recent authorization to do preliminary work in a limited way on experimental models of civilian automobiles and the release of certain materials no longer deemed essential, but which unfortunately because of a shortage of manpower cannot be processed for civilian use. There has been some actual reconversion to civilian production, but these and other favorable signs do not warrant the extravagant claims of virtually unlimited civilian production after Germany's defeat.

The cold fact is that only recently the WPB estimated there would be a reduction of forty per cent in war production after the defeat of Germany and that this would free approximately four million workers to civilian production. This plan calls for a stepping down and not an immediate drop of forty per cent in the volume of war output, so that it may be some months before the full effect would be felt in the civilian goods market.

Automobile manufacturers have indicated that such a reduction would not benefit the automobile industry greatly, because maintenance of the existing facilities would be necessary to turn out the remaining sixty per cent. This problem could be eased, however, by concentrating contracts in certain plants and clearing others

of war production machinery. It seems generally agreed by motor car manufacturers that it will take at least six months, and probably up to nine months, to return to automobile production once conversion is permitted. In addition, it will take three months longer to attain a production at the rate of three million cars a year. In the first year, car models probably will present few changes, but the second year model will require three or four months for the necessary changeover and not until the third year will the industry be able to produce at the rate of six million cars a year, which generally appears to be accepted as the production capacity of the industry.

Suppose we translate the forty per cent reduction in war output into a like amount of production of civilian goods most likely to generate installment sales paper. This, of course, is quite theoretical, for a number of industries, such as building, the small household appliance field and industrial equipment manufacturing, because of fewer conversion problems, undoubtedly will get into production earlier than the manufacturers of the larger consumer durable goods, thus using a good portion of the manpower released through the cut in war production. Using the actual 1941 automobile production as a base, we find that forty per cent of the four million eight hundred thirty-eight thousand cars made is one million nine hundred thirty-five thousand automobiles, while a like percentage of three and one-half million refrigerators amounts to one million four hundred thousand units. For this limited production there is a substantial accumulated demand.

## **Demand for Six Million Automobiles**

A WPB study recently released shows an estimated immediate demand of six million automobiles annually for several years and three million eight hundred thousand refrigerators, as well as two million six hundred thousand radios and four million two hundred thousand washing machines. These figures represent goods the public would purchase now without giving any consideration to the sales appeal of improved post-war models. Significantly, approximately three-quarters of the families questioned in the survey said they would purchase from current income or on an installment plan rather than from accumulated savings. This sizable pent-up im-

mediate demand, when applied to the relatively small production in the immediate post-war period, suggests that some form of regimentation may be necessary to control the rush of consumers to buy goods. This control would undoubtedly continue until goods were available for delivery to consumers in reasonable balance with the ability to buy. It also suggests the possibility of a continuation of Regulation W until after industry is relieved entirely of war production. The Federal authorities might deem it necessary to tighten terms presently permitted under the Regulation by increasing at least the down payment requirement.

Much as we dislike to think of continued regulation, control of credits might become necessary or even desirable until supply approached the demand for goods. It would not be desirable, however, to have an indefinite continuation of the regulation of your business. It seems highly desirable for the Conference to devote considerable time to a study of this phase of your business since regulation can be far-reaching in its effect. Regulation of the credits you make in a full peacetime economy is not desirable and is unnecessary. The sales finance industry operated from its beginning to the inception of Regulation W with almost no regulated pressure other than the very simple but effective one of competition. The few regulative measures that were applied to the installment field had other objectives than influencing the quantity and quality of credit extended or outstanding during different phases of business cycles.

I am sorry to have been obliged to build up a case against the early resumption of a sizable volume of installment sales paper. However, with the cessation of all hostilities, capacity production in the various consumer durable goods industries may be reached rather quickly and installment sales finance companies should enjoy a very sizable volume for a number of years, probably exceeding substantially the peak volume enjoyed in 1941, when in the automobile field alone Department of Commerce figures disclosed a volume in wholesale and new and used retail of four billion five hundred million dollars. The number of cars financed at that time was four million four hundred seventeen thousand.

#### **Low Production in Post-War Period**

In view of the prospect of extremely low production in the immediate post-war period, which will probably run substantially under the smallest production in the last nineteen years, I am somewhat at a loss to understand the almost feverish activity for entry into the consumer credit field by credit agencies and others, many of whom never before participated directly in this business. I can well understand, however, why many have or will reopen branches previously closed because of the sharp contraction in business since early 1942. But I have also heard a great deal and read considerable about the activities of certain insurance underwriters and agents preparing campaigns to aid in lining up prospective purchasers of new cars.

It has been said that there is accumulating evidence of a mighty battle already under way between the insurance underwriters, their agents and the local banks on the one hand and the finance companies and automobile dealers on the other hand. The opinion has been expressed that the agent has a great advantage because

he can pick up the neighborhood gossip or get word direct from the prospective purchaser of his intention to buy a car. Presumably the agent then sells the idea of financing through the local bank and also arranges for the insurance before the automobile dealer knows anything about the intended purchase. Since the immediate demand in relation to the quantity of production will result in a sellers' market for at least three years after the close of the war, there seems to be small likelihood of the early success of this plan, which, as might be expected, makes no provision for the greatly-needed financing of the dealer.

#### **Extension of Bank Operations**

There is strong evidence that the banks already in the consumer credit field will attempt to extend their operations for the reason that most of them enjoyed not only profitable operations but also a satisfactory credit experience. There is further evidence that other banks new to the field expect to participate in this business. Bank interest in the direct consumer credit field is relatively new, and figures show that in the period from 1939 to 1941, banks expanded rapidly their outstandings in installment loan and installment sales credits. Prior to 1937 there were relatively few banks operating in this business. It has been estimated that immediately preceding the curtailment in the production of automobiles three-fifths of the installment paper arising from the sale of cars was held by sales finance companies, one-fifth by commercial banks, and the balance by automobile dealers and other agencies.

The sizable expansion by commercial banks in the installment credit field was a natural result of easy money conditions since 1935, and the pressure for profitable outlets for their funds. I believe you already have a pattern of bank competition in the post-war period, although I do not wish to imply there will be the same great rate of expansion that occurred in the prewar period.

A number of bankers have discussed with me the possibility or desirability of entering the installment credit or installment sales financing field; and I have been obliged to say to each of them that in my judgment it has been a profitable field, and that if a bank provides services and handles its activities as a finance company does it should meet with reasonably good success. Many banks in the past attempted to take only the good paper instead of the mine run and as a result did not generally experience the volume expected. I have pointed out that unless a bank is willing to service the dealer as the finance companies do, it cannot hope to attain any sizable volume. The dealer has to be financed in the purchase of automobiles and other articles from the factory, and unless a bank provides this service the dealer must channel his retail paper through the source advancing the floor-planning of his merchandise.

I am inclined to believe that many bankers who never attained the volume hoped for have come to understand this phase of your operation and are making preparations for it, but I am not thoroughly convinced they will all enjoy the sizable volume they expect. In the first place, the finance companies, who were the first to recognize the high degree of safety and soundness in installment



selling, are firmly entrenched with the dealers. The finance company operations, if not national, are either regional in scope or usually cover areas beyond the limits of the more active banks in the installment field. Then again the banks are not permitted, except in a few states, to enjoy commissions on insurance premiums, which in the past have been, and in the future should be, a very large source of income for the finance companies. I wonder, therefore, if this will permit banks to allow generous rebates or bonuses out of the discount received without benefit of the commission on insurance premiums.

### **Finance Industry Profitable**

I do not believe anyone will dispute the fact that the finance industry in the past has been most profitable. Our composite analysis made from the figures of a group of companies reflected as of December 31, 1935, an average net profit to average net worth of 16.25 per cent. This, of course, was gradually reduced as a result of lower rates to the consumer and higher taxes, so that at December 31, 1941, the average net profit declined to 11.03 per cent and at December 31, 1942, stood at 8.46 per cent. During this period the net profit to retail purchases was reduced from 2.95 per cent on December 31, 1935, to 1.96 per cent on December 31, 1941, and the net profit to total purchases was reduced from 1.70 per cent to 1.11 per cent in the same period. If competition develops to the extent we now think it may, average earnings will be even lower in the post-war period, which obviously would affect the earnings of the consumer credit departments of the banks. For that reason I have always urged that banks know their costs fully and that they conscientiously allocate expenses to the departments handling consumer credit in order to determine whether the operation is sufficiently profitable.

I am not certain, however, that banks generally realize the need for an accurate analysis of such costs as acquisition, collection and also money, which even in a bank has a price tag on it, representing interest paid to depositors and other considerations. I am disposed to believe many bankers adopt the theory that they always have certain expenses and then proceed to pool the income from all of the activities of the bank, taking out as little as possible for expense and counting what is left as profit.

If this is the pattern among the banks, and particularly among those who heretofore have taken only the cream of the paper, I can well understand the impression that your business even in recent years has been highly profitable. As I have mentioned, our composite figures on December 31, 1941, showed 1.11 per cent net profit to total purchases, with the high points occurring on December 31, 1938, when the net profit was 1.95 per cent, and on December 31, 1942, when it was 1.85 per cent. Both of these latter ratios, however, were higher because of the absorption of deferred income accumulated on the high volume of the preceding years and taken into income during the low volume periods of 1938 and 1942. These figures indicate that yours is a volume business which apparently cannot be attained unless it is conducted as carried on by you.

A new phase of finance company operations occurred during 1940 and 1941 which has the possibility of a far-reaching effect and could heighten the extent of bank

competition. I refer to the so-called "Sales Plan" which developed as a result of volume generated by a few finance companies considerably in excess of the amount they could carry with their own capital and bank borrowings. I have no idea as to the volume built in this direction, although a number of banks purchased paper. Under the plan, banks purchased the installment paper from the finance companies at substantially the cash outlay, including reserves, if any, paid to the dealer and the net cost of insurance on the chattel involved. The difference between the cash outlay by the finance company and the face amount of the note is credited to a reserve account in the bank. The charge for the use of the money is made against the reserve account, which is also subject to charges for past-due paper. The plan also provides that the reserve be built up to a given percentage in relation to the unpaid balance of the notes, with settlements periodically to the finance company of reserves in excess of the stipulated amount.

I have no reason to question the desirability of the plan if it is used only in financing truly excess volume. If, however, you give proper consideration to the fact that under the terms of these purchase agreements the cash outlay for the installment paper is made available immediately by the purchasing bank, I believe you will find that the plan suggests the possibility of vastly expanded operations on very limited financial responsibility, which surely would be undesirable. The finance companies generally have always had adequate capital, reflected principally in quick assets, which enabled banks to lend them substantially in excess of what other industrial concerns might borrow.

### **Competition Affecting Industry**

Without this responsibility to the shareholders and bank creditors, competition which might be developed through this plan could seriously affect the entire industry. It would permit an expansion by less competent managements who, without due regard for the safety of their credits, might reach out for the less desirable but more profitable paper, thereby forcing others to follow the pace set by them. I do not wish to imply there will be no discrimination by the banks if this plan is used, but I am also aware that in the heat of competition, such as might occur in the immediate post-war period, restraint may well be cast to the four winds.

I do not believe the volume of installment financing immediately following the war will be sufficiently large to warrant the use of this type of operation if used as originally designed, for the purchase of excess paper. We all know the finance companies generally were adequately capitalized to support volume and outstandings of the all-time peak in 1941, which may not again be reached for several years after the end of all hostilities. The capacity of the companies to purchase and carry paper is almost identical now with what it was at the end of 1941.

Add to this the sizable sum used directly by the banks in the prewar period and it seems likely the funds available for the installment finance field will be considerably in excess of requirements in the immediate post-war period and possibly equal requirements arising with the cessation of all hostilities. If the plan to which I referred is

(Turn to "Installment Financing," page 30.)



# It Happened to Me

George C. Dyer

AT THE OUTSET we want to make our position on four matters particularly clear. We also want to state that what may be said does not necessarily represent the views and policies of Alcoholics Anonymous as a nationwide unit because we have no closely knit national or local organization, no officers, no ironclad rules, regulations or declarations of policy.

First of all, we are not Prohibitionists. We are not in favor of Prohibition because we believe that it is impossible to successfully legislate persons with respect to their moral and social conduct. We believe that legislation cannot effectively fashion and change one's personal habits.

Second, we are not reformers or crusaders, because we do not seek to impress our views on any person or group of persons, except at their specific invitation or request. Nor do we go into a saloon, or other drinking place, and tell Bill that he has had one too many and that he had better go home to his wife and children. We do not engage in those types of practices. The help which our organization offers to persons is given only when they voluntarily ask for it.

## Plan of Organization

Third, we do not constitute a racket or any form of a racket. Our organization has no dues and no assessments. It costs nothing for any one to avail himself of our assistance. We do not receive or accept gifts from outside individuals or organizations. The national organization in New York, some years ago, rejected a large gift, or proposed gift, from a well known philanthropist. That was done deliberately in order to keep our work wholly separated from any financial or commercial interests.

Fourth, and this will perhaps surprise you, we are not opposed to drinking by normal drinkers. We have no desire to tell any person who drinks normally that he should cease drinking. We do not propose to suggest that a person whose drinking does not interfere with his living in any sense of the word should discontinue that habit. If we could be normal drinkers, you may be sure that we would still be drinking; but we are not normal drinkers, and, therefore, as will presently be developed, we cannot drink at all. To emphasize a little more strongly our view in regard to this matter, let me state that most of us serve liquor in our own homes to persons whom we know to be normal drinkers, if they want it. We have no liquor, however, for abnormal drinkers like ourselves.

Not long ago, in order to give the public a little more definite understanding of that viewpoint, we gave a cocktail party for the first lady member of this organization, from New York City, who appeared here in connection with her educational work, under the

auspices of the National Committee on Alcoholism sponsored by Yale University. She was introduced to various representative members of the Press, and others, at a cocktail party, at which real cocktails were served; but, of course, the members of our organization, not one of whom can afford to take one drink, drank soft drinks only.

At this point I would like to make clear the difference between a normal drinker and an abnormal drinker. A normal drinker is a person who drinks more or less occasionally, in rather restricted quantities, and whose drinking does not interfere in any way with his business, social, or personal life. A person may go on an occasional binge, get on a ripsnorting drunk, and still be a normal drinker. The abnormal drinker is a person who knows that his drinking is definitely interfering with his social life, his family life, his business, or his personal health, and who, knowing that, nevertheless continues to drink to excess.

An abnormal drinker is also known in medical parlance as an alcoholic. The abnormal drinker or alcoholic has also been defined scientifically as any person who is physically allergic to alcohol and in whom an insatiable desire to drink to excess is created by the very first drink. You know the type of fellow; the person who, after having taken one or two drinks, does not stop until he has consumed an excessive quantity which deprives him of his reason, discretion and judgment.

They tell us that in this Country of ours, there are thirty million people who drink. Very fortunately, only five per cent of that thirty million are alcoholics. That nevertheless leaves the very large and astounding figure of 1,500,000 persons who are definitely alcoholic. The magnitude of this problem also clearly appears when we consider the fact that every year in the United States of America 12,000 men and women die with alcohol as



GEORGE C. DYER is an attorney and lives in St. Louis, Mo. He was formerly an Assistant United States Attorney for six years and in 1925 was an Alternate Rhodes Scholar to Oxford University from the State of Missouri. He gave this talk before a recent weekly meeting of the Rotary Club of St. Louis. His message is not a temperance talk but a thriller filled with human emotions and facts of life that will hold you spellbound.—Ed.

either the primary or the secondary cause. The unfortunate part about those tragic deaths is that those people need not die.

For a long time, it was thought that alcoholism was incurable. We have in our organization a large number of persons who have been declared by competent physicians and psychiatrists to be absolutely incurable, and yet who, after having come into this group, have never taken another drink, and who have been able to live happy and successful lives in every sense of the word, as total abstainers.

Alcoholism has now come to be recognized as a disease by medical science, by the American Medical Association and by the Yale Institute on Alcoholic Research. But it is not hereditary; it is acquired. It is just as much a disease as diabetes, cancer, tuberculosis, or any other malady.

### ***False Stigma Attached to Alcoholism***

For a long time, there has been a false social stigma placed upon the alcoholic. Many persons have been very reluctant to admit that they are alcoholic, because they feel that they will be branded by the public, by their neighbors and friends, as persons who, through choice, are moral derelicts. It is with the hope that the public generally will come to understand that alcoholism is a real disease, and also with the hope that you who are very likely not alcoholics, will know, and will pass information along to some friend who is an alcoholic, and who up to this time has found no way out. I hope that you will serve as a conduit of the information which I give to you, that it may reach those persons whose lives have been practically ruined, and who look toward death or insanity as the only possible goals toward which they can proceed.

It happens that I am an alcoholic. It may seem very strange to you that I am not ashamed of it. I am not ashamed because I have come to understand and accept the truth of the scientific statement that alcoholism is a real disease. Therefore, I cannot truthfully say that I am ashamed that I am suffering from alcoholism any more than I could truthfully say that I am ashamed that I am suffering from influenza or diabetes. Nor can I say that I am sorry I am an alcoholic because, very frankly, my affliction has brought me earlier to a fuller realization and understanding of the finer things in life than would ever have come to me without having suffered from this malady.

Then too, I am not sorry because my alcoholism, or my affliction, has opened to me a door into a field of service to my fellow sufferers which otherwise would have remained closed forever. For only an alcoholic can talk to another alcoholic. The total abstainer or the normal drinker knows nothing of the pangs of desire which gnaw at the hearts of alcoholics when they crave liquor above any and everything else. So, only an alcoholic can speak the language of another alcoholic. And consequently, by reason of my affliction, I have been enabled to enter this field of service to my fellow man as an avocation. This has helped me to help others, and in helping others, I have helped myself. In helping others, I have practically lost myself.

One thing I want to make clear to you: once an alcoholic, always an alcoholic—and once a diabetic,

always a diabetic. When a person is an alcoholic, he never again can drink as a normal drinker. He must thereafter leave alcohol completely alone, for after he takes his first or second drink, he is just as powerless to stop drinking until he has drunk to excess as he would be if he jumped out of a ten story window and tried to stop halfway to the ground. It cannot be done.

So an alcoholic who leaves alcohol alone can live just as normal, just as complete and happy a life as the diabetic who leaves sugar alone and who aids his recovery with insulin. But an alcoholic, when he is not drinking, is simply an arrested case. He is never cured. And the greatest danger in the world that can come to an alcoholic who has been sober for a long while is to believe that he is cured and that he can again drink like a so-called "gentleman." It cannot be done.

In discussing this subject, it is necessary that I tell you about myself and relate some of my personal experiences, because I do not know what goes on in the mind of another alcoholic, except through hearsay, but I do know what has gone on in my mind, and I know what I have gone through. So when I do relate my personal experiences, I hope that you will not consider that I am saying these things from an egotistical standpoint, for, believe me, that is not my purpose. The pronoun "I" is used with great reluctance. Any teacher of public speaking, however, will tell you that it is bad for one to speak of himself.

In that connection, I am reminded of a story that I heard told not so long ago by Dean Sydney E. Sweet of Christ Church Cathedral in St. Louis. Dean Sweet related that a young man named "Bill" was walking down the street one day and came upon a friend. To this friend, he said:

"John, I have just been married."

John replied: "That's good."

"Well," said Bill, "it isn't so good either. My mother-in-law came to live with us."

John replied: "That's bad."

"Well," said Bill, "it isn't so bad either. She has a lot of money."

John replied: "That's good."

"Well," said Bill, "it isn't so good either. She is pretty tight; she doesn't like to spend much of it."

John replied: "That's bad."

"Well," said Bill, "it isn't so bad either. She did buy us a new home."

John replied: "That's good."

"Well," said Bill, "it isn't so good either. The other night it burned down."

John replied: "That's bad."

"No, no, not so bad either," said Bill, "my mother-in-law was in it."

So if it is a little bit bad for me to write about myself, I hope sincerely that some good comes of it.

### ***This Is My Story***

When I was eighteen years old, I was graduated from a small Methodist college out in Warrenton, Missouri, known as Central Wesleyan College. It was considered quite an achievement for one to be awarded an A.B. Degree at the age of eighteen years. I received a lot of congratulations and well wishes, and they all went promptly to my head. In that same year, I was

selected as an alternate Rhodes Scholar from the State of Missouri to Oxford University in England. Fortunately, the real Rhodes Scholar, Arthur Bond of Missouri University elected to go over there, so I was spared the privilege of getting drunk and staying drunk in England. But that called for more congratulations, more felicitations, and all of those went to my head.

Then after receiving my A.B. Degree, I journeyed to a great university in St. Louis, an outstanding institution of learning, to study law. It was there that I began to drink socially. From time to time, I had a few drinks with the fellows. Then we went down on "Dago Hill" to a few favorite "speak-easies," loaded up with red wine until it ran out of our ears, and had, what we thought was, a ripsnorting good time. The next morning we would take a cold shower, go on to class, and think nothing of it. It was not long, however, until this social drinking became a problem in my life, even at that early time. Frequently, I had to cut classes the next day because I felt so bad from the night before, that I could not quite make it. Then some well meaning friends suggested that it might help me a lot if, in the morning, I would take "a little of the hair off the dog that bit me" the night before. And I took my first morning drink. That was nearly the beginning of the end. From then on, I had difficulty in my classes and in my educational development, and liquor gradually became a real problem, even in my university life.

After I graduated from the University, when I was twenty-one years old, I was appointed an Assistant United States Attorney in St. Louis, a position of considerable responsibility. I was one of the youngest men ever appointed to that position. Then came more felicitations, more congratulations, newspaper write-ups and my picture was in the paper. Frequently, I would cut them out, paste them on my mirror and look at them and get extra copies of newspaper clippings and mail them to my friends. My egotism grew to the point that it knew no bounds, and I mention this particularly, because there is a definite relationship between egotism and alcoholism. Conversely, there is a direct relationship between humility and sobriety.

#### **My Associations**

I was in the United States Attorney's Office for six years, and a part of that time was during Prohibition, when liquor was supposed to be scarce, but it seemed to me a generous supply was always available "just around the corner." For a time, I was closely associated with people whom I now know were alcoholics. One attorney is dead at the age of forty-six years. He need not have died. During that time, my alcoholic problem grew rapidly and soon I found it necessary to drink at least a half-pint of whiskey in the morning before I could eat a bite of breakfast. And then, during the day, I kept myself constantly saturated in order to avoid the jitters. It was not long until my consumption of liquor reached a quart to a quart and a half every twenty-four hours. I drank at that rate until I became so physically and mentally ill that I could go on no further.

On one occasion, I started trying a criminal case before U. S. District Judge Faris one morning. I thought the defendant was going to plead guilty, and that in about fifteen minutes I could go over to my favorite bar and get a stout "jolt." To my great surprise and

dismay, the man entered a plea of not guilty and was ordered to trial. I thought I would pull together every ounce of available energy and courage and make a supreme effort to try the case, but when I stood before the jury, which I had hurriedly impaneled, and held the indictment before me, I shook so violently from my drinking the night before that I could not read more than the first six lines of the lengthy charge. I stopped short, shaking like a leaf, and asked the judge to declare a recess, which he did, and he knew well the reason. I dashed madly across the street to the office of a lawyer friend of mine, who always had plenty of whiskey on hand, poured a water tumbler of the liquor, held my nose and dumped it down. I broke out in profuse perspiration and nearly choked to death, but I went back to Court and tried the case. Of course, I had to have a little more at noon, and a little more at three o'clock, and in that fashion, I managed to get through the case and secured the conviction of a guilty man.

#### **Condition Became Worse**

My condition became gradually worse and soon I had to go regularly to hospitals to recuperate physically and mentally. I was hospitalized in St. Louis forty-two times for alcoholism alone between 1928 and September, 1941.

Any man who has a scintilla of intelligence will not voluntarily take something which he knows is going to put him flat on his back in a hospital. And I say that with all earnestness at my command, to point out that alcoholism is truly a disease. A true alcoholic drinks to excess not because he is ignorant of the devastating effect, and not because he wants to, but he drinks because he has no alternative, no choice; the insatiable appetite is too great. His intense desire to drink, which far exceeds the desire for food in a hungry man, and far exceeds the desire for water in a thirsty man, is so great that it overcomes any form of reason, discretion, or judgment, which he has at his command.

So I went through the hospitals, forty-two of them. I was treated by psychiatrists, some of the most eminent in St. Louis, for over a year. And yet my desire to drink was constantly there. Finally, I came to a point where I felt that at any cost, or personal sacrifice, I must do something about it. I had known for a long time that I should stop drinking, but I didn't know how. I had tried practically every known method of recovery, but I failed. Finally, I was forced to choose one of two alternatives, recovery on the one hand or death or insanity on the other.

It was then that I agreed to go to a well known Sanitarium in New York State and voluntarily commit myself for a period of not less than one year. That was necessary under the laws of the State of New York. At that time, I would have committed myself for a period of five years just as willingly if that were thought necessary. I was that anxious to recover from this terrible malady.

During the time that I was drinking, I had wrecked practically everything of value. I had wrecked physical things, like my automobile, again and again. I had wrecked the lives of my devoted father and mother and I had wrecked the life of my faithful wife. I had lost

(Turn to "It Happened to Me," page 18.)



# Questions and Answers

## About Loan Guaranty Under the G.I. Bill

THE VETERANS ADMINISTRATION, Washington, D. C., has issued a pamphlet containing questions and answers about Title III, Loan Guaranty for Homes, Farms and Business under the G.I. Bill (Servicemen's Readjustment Act of 1944). Some returning Servicemen seem to think that they will be given some money by the Government if they want to go into business, purchase a home or buy a farm. The pamphlet, however, has this to say: "It seems advisable here to caution veterans that a loan guaranteed under this act is not a gift. It must be repaid; therefore, every precaution should be exercised to make sure that it will be a benefit and not a burden to the borrower."

Following is the list of Questions and Answers as given in the pamphlet which will be of interest to our members who grant credit in which loans under this Act are involved:

1. *Who may borrow money under the servicemen's readjustment act of 1944?*

Any veteran who was in the active service, on or after September 16, 1940, and before the end of the war as established by act of Congress, who served at least 90 days or was discharged for disability incurred in line of duty, and who was discharged under conditions other than dishonorable.

2. *Where may money be borrowed under the act?*

Money may be borrowed anywhere people normally go to secure loans, i.e., any bank, other lending agency or an individual who is capable of servicing the loan.

3. *Will the Veterans Administration make these loans?*

No. The Veterans Administration is not permitted to make loans. Within limits established by law, it may guarantee repayment of a portion of loans made to veterans.

In addition to this, the Veterans Administration will pay interest for the first year on the guaranteed part of the loan and the veteran is not required to repay such interest.

4. *Just what does this guaranty cover?*

The Veterans Administration may guarantee any part of an approved loan up to 50 per cent of the amount borrowed, but the total guaranty may not be for more than \$2,000. This guaranty may be given on several loans made to the same veteran so long as the aggregate total of all amounts guaranteed does not exceed the \$2,000 limit.

5. *Is there any restriction on the use of this money?*

Yes. Funds secured from a loan guaranteed by the Veterans Administration may be used only to purchase,

build, repair, alter or improve a home to be occupied by the veteran, a farm or farm equipment to be operated by the veteran, or to purchase a business, business property or equipment to be used by the veteran for the purpose of earning a livelihood.

6. *Are there any other limitations on the loans?*

Yes. The interest charged on these loans may not be at a rate higher than 4 per cent a year, and the money must be repaid in a maximum of 20 years. Most of the loans, however, particularly those for business purposes will be for a much shorter time than the maximum. This is because a guaranty will not be given to extend beyond the useful life of the security.

7. *What happens if the loan payments are not made?*

That will depend largely upon the terms of the loan, the attitude of the lender, and the laws of the State in which the loan is made.

If payments are not made when due the loan becomes in default. The lender may then take such action as is provided for in the loan agreement and is permitted under the laws of the State in which the loan was made and the Loan Guaranty Regulations.

8. *What benefit does the veteran get from having the Veterans Administration guarantee the loan?*

The guaranty of the Veterans Administration pledges the credit of the United States Government that not to exceed half the loan, with a maximum of \$2,000, will be repaid. It, therefore, increases the security a veteran can offer a lender by the amount of the guaranty and correspondingly increases the amount he can borrow.

9. *How is the loan made?*

Most banks, savings and loan associations, and recognized lending agencies throughout the country already understand the procedures and will explain them. All offices of the Veterans Administration will be glad to discuss the details of the guaranty of loan with any veteran. If no office of the Veterans Administration is conveniently located the veteran may write to the office serving his state or to the Veterans Administration, Washington 25, D. C., and get detailed information.

In general the process is as follows:

The veteran first executes a form, called a Certification of Eligibility. In this he gives a summary of his service record, the amount of the loan and the purpose for which it is to be used. This is countersigned and submitted to the Veterans Administration by the lender.

This form is completed by the Veterans Administration with a certification that the veteran is eligible and the requested amount of guaranty credit has been reserved for the loan. It names an approved appraiser to evaluate the property and informs the lender where to submit an "application for guaranty."

The lender and the veteran then complete the application for guaranty and submit it together with normal



credit information. This is checked and the Administration issues a guaranty of credit if the loan meets the requirements of the law.

*10. Do rights to this guaranty extend indefinitely?*

No. Any veteran wishing to secure a guaranty of loan from the Veterans Administration must make application within 2 years after discharge or after the end of the war, whichever is later. In no case may a loan be guaranteed later than 5 years after the end of the war.

*11. Are there any charges for a guaranty of loan?*

No. Commissions, brokerage or similar charges may not legally be assessed against a veteran for securing a guaranty of loan. Of course, those fees usually borne by a borrower, such as appraisal, title research and guaranty, transfer fees, etc., may be charged against the veteran.

*12. Must a loan be secured by a lien?*

Not invariably. Under most circumstances a lien will be required as security for a loan but there are a few conditions under which a loan may be unsecured.

*13. May a loan be secured by a second mortgage?*

A second mortgage may be accepted in cases where the first mortgage is made, guaranteed or insured by a Federal agency. Under such circumstances the amount of the second loan may be wholly guaranteed, provided it does not exceed 20 per cent of the purchase price of the property but in no event may it be greater than \$2,000.

A second mortgage may also be accepted where a loan is being made to improve property which is already covered by a first mortgage and the repairs or improvements, will increase the value of the property sufficiently to justify the additional loan.

*14. Are there any circumstances which permit the loan guaranty to exceed the \$2,000 limit, or 50 per cent of the face of a loan?*

There are no circumstances which permit the guaranty to exceed the fixed limit of \$2,000.

There are conditions under which an entire loan may be guaranteed, provided it is for not more than the \$2,000 limitation. This is where a Federal agency has made or guaranteed or insured a loan and a second mortgage may be needed to complete the transaction.

The Veterans Administration may then guarantee the full amount of the second mortgage, providing:

- (1) The amount involved is not excess of \$2,000.
- (2) The loan is not in excess of 20 per cent of the entire purchase price.
- (3) The rate of interest is not more than 1 per cent greater than that charged on the principal loan, and is not more than 4 per cent.

*15. May a husband and wife each secure a guaranty of loans if both are veterans?*

Yes. Every veteran who meets the requirements of the act is entitled to a guaranty of loan. A husband and wife may use their guaranty jointly or separately. If it is used jointly the maximum may not exceed 50 per cent of the face of the obligation or \$4,000. They may not

buy two separate houses, because of the requirement that the house be occupied by the veteran, unless they are actually and in fact living separate and apart.

*16. May several veterans who are not related use the guaranty to acquire property jointly?*

Yes. But the total amount guaranteed may not exceed 50 per cent of the loan or \$2,000 to each veteran. The guaranty will be apportioned on the basis of the interest of each in the loan. Under no circumstances may it amount to more than half the face of the loan, except if the loan is made or guaranteed or insured by a Federal agency.

*17. May a veteran purchase property with a nonveteran?*

Yes. The guaranty in this case would apply only to the interest of the veteran in the loan, and may not exceed 50 per cent of his interest. Under no circumstances could it cover any part of the interest of a nonveteran.

*18. May a guaranty be secured to retire an existing mortgage on a home owned and occupied by a veteran?*

Not unless the existing mortgage has matured and is in default.

*19. If a veteran pays off one loan that has been guaranteed may he secure a second guaranty?*

No, but a veteran may have any number of loans guaranteed so long as the aggregate total amount of the original guaranty does not exceed the \$2,000 limit.

*20. May a veteran pay off a loan that has been guaranteed before it becomes due?*

Yes.

*21. Can a guaranty of loan be secured if the proceeds are to be used for a minor or person under legal disability?*

Yes. This can be done if such a loan is legal under the State laws governing.

*22. May widows or children of deceased veterans secure a guaranty of loan?*

No. This privilege is limited to veterans themselves, but a loan guaranteed for a veteran may continue after his death.

*23. Are the terms of the loan and time of repayment set?*

The only statutory requirement of this nature is that the loan be repaid within 20 years. All other terms are arranged between the veteran and the lender, but must conform with the law and the regulations.

*24. Must property used to secure a loan be covered by insurance?*

It is customary for lenders to require insurance on buildings against which loans are made in order to protect themselves against loss of security. This also protects the veteran since it may provide funds to replace the loss.

Buildings used as security for loans which carry the guaranty of the Veterans Administration must be insured against fire, and other hazards against which it is customary to insure in the community.

(Turn to "Questions and Answers," page 26.)

# "I do not agree with Mr. Carney"

★Frank A. Chasan, Ph.D.

**R**ALPH W. CARNEY, who wrote three leading articles for *The CREDIT WORLD* of August, September and October, respectively, under the title "Industry Goes to War," is no doubt a forthright man. He speaks and writes in a straight-from-the-shoulder manner, and I am certain he expects no less from those who differ with him. This reply to his articles, taking a diametrically opposite view, will therefore mince no words and call a spade a spade.

Mr. Carney claims that his ample authority is based on his rich traveling experience and that most of his information is gathered from fellow travelers on trains and in Pullman washrooms. Let us see how reliable that information is. In the early part of his August article he bemoans the fact that, while farmers and labor are well organized and are successful in presenting their respective views to the public, he says; "Businessmen have been curiously ineffective, inept and inarticulate when it comes to giving any sort of organized, responsible voice to their needs, rights and interests."

This is, to say the least, very puzzling. Is it possible that Mr. Carney doesn't regard the National Association of Manufacturers or the United States Chamber of Commerce, to mention only the most prominent, as composed of businessmen? Or does he think that these powerful bodies and similar ones in every industry and in every part of the country are organized for the purpose of conducting Sunday picnics? Or is it just a sample of some of the things he *does not* hear about in Pullman washrooms?

When **RALPH W. CARNEY** gave his dynamic never-to-be-forgotten address at our 31st Annual Convention in Milwaukee last May, we knew at that time there would be some of our members who would not agree with all of his ideas. In this article, "I do not agree with Mr. Carney," **FRANK A. CHASAN, Ph.D.**, tells us why he does not agree with him. Mr. Chasan is in charge of audits and statistics of the Credit Division of the Goldblatt Brothers chain of stores in Chicago.

We have had this article in our hands since last September, but have been unable to find room for it in *The CREDIT WORLD* until this issue. While we do not necessarily agree with Mr. Chasan's line of thought expressed here, he has given us some food for thought on a highly controversial subject.—Ed.

Mr. Carney then proceeds to tell us, modestly, that he is going to speak for Industry; "Industry that has been sneered at by 'parlor pinks' and radicals, and those who have come to our shores out of the poverty of Europe." I am not an expert on the origin of colors, but he will agree with me, I am sure, that the fountain-head of the crimson variety is Soviet Russia. With regard to Russia, sharing Mr. Carney's admiration for Will Rogers I will say, "All I know is what I read in the papers," and you certainly do not get the impression in the papers that those ultra reds and radicals in Russia sneer at industry. On the contrary, they have a very healthy respect for it. As for American industry, the Russians pay it the supreme compliment of trying frantically to imitate it. As for those who came out of European poverty, it may be different with those like Mr. Carney who spend most of their time in Pullmans, but with the American people to have come out of poverty is no disgrace; and there is very little difference between American and European poverty.

## American Businessmen Least Taxed

Mr. Carney goes on to tell us that, "The American businessman has been overtaxed by politicians who waste the other fellow's dollar because they had seldom earned one of their own—." It is too bad no one has told Mr. Carney the truth that the American businessman is one of the least taxed in the whole world; that our English cousins, for instance, are much more heavily taxed than we are. As to the politicians who tax us (Congressmen and other legislators)—does Mr. Carney really hold that anyone not engaged in production or distribution is not earning his pay? It seems that Mr. Carney is so much against the government that to him anyone in any branch of the government is ipso facto a bad character,

Next we come to Mr. Carney's principal subject, his *bête noire*, his pet aversion—labor unions. At this point I should make it clear that I am not a union man or an apologist for unions. I certainly hold no brief for union abuses or malpractices, but I do believe in giving the devil his due. For the purpose of the present article, therefore, and in order to refute Mr. Carney's reckless and grossly inaccurate statement about unions and their leaders I will temporarily assume the role of a defender of unions.

"Labor leaders," Mr. Carney says, "each one seeking personal power, quarrel with other unions over 'Dues Gravy.'" Unions, Mr. Carney, are not formed and do not exist for the personal benefit of their leaders, but for the tangible benefit they bring to their members, and what that benefit may be can be stated in one or two sentences. It is to bring in closer proximity the respective bargaining powers of the employer and the individual employee, and of course to improve the economic conditions of the employees. It would do some

good to many Pullman habitués to realize this elementary fact. Like all human institutions, unions are not perfect. In a few isolated instances they have even degenerated into plain rackets. But that should no more reflect on unions in general than an occasional dishonest businessman reflects on our Capitalist system.

"Their own treasure, their own particular group is more important (to them) than the welfare of America. I could give you endless examples," he continues, "in supporting this indictment of a union philosophy that has hung a dollar sign on its patriotism."

Mr. Carney's righteous indignation against labor's money consciousness would have more validity if he waxed as wrathful over industry's insistence on handsome profits in war production, plus extra generous depreciation allowance, plus guarantees against losses in reconversion. And if Mr. Carney did attack industry with equal vehemence, I would thoroughly disagree with him anyway. I believe industry is entitled to fair compensation whether in war or peace time and labor too is entitled to a fair wage all the time. Before industry converted to war production it sat down with the government and with the aid of its own highly competent legal staffs drew up agreements very satisfactory to itself. The government (the same government against which Mr. Carney fumes so much and calls "evil") realized that industry is entitled to a fair return and signed on the dotted line.

No such ironclad agreements were made with labor. It was left to the War Labor Board to deal with labor's claims as they arise. The vast majority of strikes were against employers who adamantly refused to abide by the impartial decision of the War Labor Board. In all these cases it is really the employer who strikes first, and for money considerations. Yet, I maintain, that under the free enterprise system, industry is entitled to earn dividends in war as well as in peace and labor is entitled to eat, etc., in war as well as in peace. This does not mean that all, or some, or any of labor's demands are just or fair. Each case has to be judged on its own merits. Patriotism, however, has no more to do with labor's claims than with industry's insistence on making a profit out of war.

### **Causes of Strikes**

Mr. Carney then relates one case in which a fight between two unions caused a strike. Twenty-three men who disregarded the order of their union and patriotically continued working were dismissed from the union and automatically lost their jobs.

Mr. Carney has not seen fit to tell us what the dispute was about, so we certainly cannot judge on the merits of the quarrel. (He does try to pass on the asinine Pullman gossip that any porter or high school boy can draw \$100 to \$150 a week by the simple device of paying a fee of \$100 to the union organizer.) As for the twenty-three dismissed men, you may be against unionism altogether and be right about it, but if you grant the union the right to exist, you must also grant it the right to discipline members who disobey the union's order. Every organization has that right.

Another example Mr. Carney mentions is one in which a strike was called because the union demanded a five minute wash period. Again he gets indignant,

and asks angrily: "How many wash-up periods does a soldier have in a filthy fox-hole?" This idea that what is good enough for G. I. Joe should be good enough for everyone else can become quite silly, and I am certain Mr. Carney doesn't follow it through on himself. The boy in the services gets all the comforts it is physically possible to provide for him, he does not get what is absolutely impossible to give him. To return now to the union demand for a five minute wash period, the boys in the services have no fixed hours of work, and may sometimes be on the go or on the alert for days at a stretch. Yet I am certain Mr. Carney would not advocate that workers stay in the factory and work all hours just like the soldiers. He doesn't consider it unpatriotic if their hours, be they eight hours a day or sixteen, are fixed. Neither does he mind if the workers take five minutes to wash up after they quit work. The only question is whether it should be done on the company's time or the worker's. That, Mr. Carney, is a legitimate union dispute.

### **Strikes Are Against the Government**

Mr. Carney winds up his harangue against labor ("as a friend of labor"—of course) with this question: "Why are these things permitted, when we all know that every strike today is a strike against government—every strike prolongs the war—every strike costs us the lives of men—and every strike is, in effect, an act of treason?" Far be it from me to favor strikes. I would much rather see industry and labor play fair with each other and avoid all friction. Yet, I maintain, to say that every one of the relatively few strikes that we had cost us the lives of men—is sheer hysteria. We have the words of our War Department, and the War Production Board, that there has never been a single instance of a shortage of munitions in actual combat since the beginning of the war. We have an ample reserve which is necessary as a safety margin. The less than 1 per cent strikes, as compared with total production, affect in only a small way our reserve or surplus. They are highly regrettable, but the unreasonable action of industry is more to blame for them than labor. Strikes against the government are certainly bad, but not half as bad in their demoralizing effect as the unbridled and malicious attacks directed against the government by certain individuals. Who knows but that some of the strikes may stem from the lowered confidence in the government which some persons, for political or other reasons, seek to undermine?

Mr. Carney goes on to denounce the government further, calling the taxes that the government collects, "legal theft," and charging that the government is trying to establish "a creeping form of National Socialism." In the very next paragraph he completely forgets the implication of the charges he has just made and praises the marvelous job the railroads have done under private management. He doesn't realize that if his charges were anything but reckless talk, a government bent on establishing "absolute governmental control of every phase of business and social life" would have taken over the railroads as the first thing on its program.

Second only to Mr. Carney's aversion to union labor is his intense dislike for former Vice President Wallace.

(Turn to "Do Not Agree," page 14.)



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**"Do Not Agree"**

(Beginning on page 12)

One wonders why. Mr. Carney professes to believe in free enterprise. Mr. Wallace too believes in free enterprise, for little and big business; free from strangulation by monopolies and cartels. Mr. Carney mentions just once, without quoting a single instance, that business has been justly indicted. What is so terrible, Mr. Carney, if Mr. Wallace does name those just indictments? As Vice President, Mr. Wallace represented the whole American people and was under no obligation to shield the occasional malpractices of business or industry as is Mr. Carney, who admittedly speaks for industry only. Mr. Carney professes to favor the highest possible wages and the lowest possible prices. While I do not presume to speak for Mr. Wallace, I can safely assure Mr. Carney that Mr. Wallace is wholeheartedly in favor of that too. If Mr. Wallace itches for a fight with business, it is with that section of big monopolistic business which aims to restrict output, raise prices and lower wages, the kind of business that Mr. Carney is presumably against also.

**Identity of Common Man**

As for the identity of Mr. Wallace's common man, I would not worry about that, Mr. Carney. He means you and me and, yes, the man or woman at the lathe, swinging a pick or behind the sales counter. This is in line with the democratic concept. When Mr. Wallace spoke of the Century of the Common Man, he expressed the hope that in the 20th century democracy will function more perfectly, perhaps also in the economic as well as in the political field. This is nothing to cause one to shudder in bed at night. Since Mr. Carney is also in favor of the democratic form of government it would seem that he and Mr. Wallace really agree.

Seriously speaking, Mr. Carney belongs to that extreme portion of industry which has not yet come to the realization that industrial as well as business prosperity depends on a high standard of living for the general population, and that unions play an important part in raising the standard of living. There are extremists on the labor side of the fence only who do not know what is good for labor either. Fortunately for the country both extremes are minorities. Our hope lies in the disappearance of these extreme groups, when it will be universally recognized that industry is humming and business is booming only when the mass of the people have money to spend and leisure to spend it in. ★★★

**Notice**

We regret to announce the discontinuance of The Collection Scoreboard and the Barometer of Retail Business we have featured in The CREDIT WORLD for the past eleven years. The shortage of employees in bookkeeping and credit departments throughout the country has made it increasingly difficult to obtain these monthly figures. When conditions permit, we will resume these two departments.—A.H.H.



## ★ Recent Elections

### Youngstown, Ohio

New Officers and Directors of the Youngstown Retail Credit Association, Youngstown, Ohio, are as follows: President, C. C. Walton, The Bolotin-Drabkin Furn. Co.; Vice-President, Mr. Geo. England, The Reichart Furniture Co.; Treasurer, Miss Louise Epps, The Stambaugh-Thompson Co.; and Secretary, J. R. Goldstein, The Merchants Credit Bureau. Directors: C. A. Himes, The Strouss-Hirschberg Co.; Miss Ada Nelson, Raymond Brenner Jewelry Co.; George K. Fried, The Printz Co.; Frank Kline, Lustig's Shoe Co.; and N. W. Pope, Universal C. I. T. Credit Corp.

### Spokane, Washington

The Spokane Retail Credit Association held their 34th Annual Banquet on January 18, 1945 and installed the following officers and trustees: President, John Busby, Alexander's; Vice-President, John W. Perry, Exchange Lumber & Mfg. Co.; Treasurer, Harry E. Jones, Old National Bank of Spokane; Secretary, N. M. MacLeod, Spokane Credit Men's Rating Bureau; and Assistant Secretary, M. T. Warrick, Spokane Credit Men's Rating Bureau. Trustees: Arlene Tenneson, Johnson-Bungay Fuel Co.; Dante Tye, Ernie Majers'; Russell Koch, Pratt Furniture Co.; Jack Pengelly, C. E. Carlson & Co.; Charles Adams, John W. Graham & Co.; Harley Boyle, The Crescent; and Fred G. Emry, Emry's Inc.

### Victoria, B. C.

At the annual meeting of the Victoria Credit Granters' Association on February 13, 1945, the following officers and directors were elected: President, Leo Evenden, Hudson's Bay Co.; Vice-President, George Robinson, Robinson's Bicycles & Sporting Goods; and Secretary, Harry Dawson, Retail Merchants Credit Ltd. Directors: Charlton L. Smith, National Motor Co. Ltd.; Len Cox, Paint Supply Co. Ltd.; Geof Ellis, David Spencer Ltd.; Bert Hebden, Diggon-Hibben Ltd.; Ron Lockhead, Davis Motors Ltd.; Percy Noel, Home Furniture Co.; Ray Whellams, Standard Furniture Co., and Walter Fletcher, Fletcher Bros.

### Vancouver, B. C.

Officers and Directors for 1945 were elected by the Retail Credit Granters' Association of Vancouver at their 15th Annual Meeting on February 15. They are: President, Herbert G. Barnes, Vancouver Motors Ltd.; Vice-President, C. Newton Miller, Buckersfield's Ltd.; Treasurer, Charles G. Banner, Hudson's Bay Co.; and Secretary, Thomas Downie, Retail Credit Granters' Bureau Ltd. Directors: C. A. I. Fripp, McLennan, McFeely & Prior Ltd.; A. Prentice, Famous Cloak & Suit Co. Ltd.; T. J. Winram, Watkins-Winram Ltd.; W. Walters, Bank of Toronto; W. McElheron, Clarkson's Ltd.; J. W. McClure, The Industrial Acceptance Corporation Ltd.; and Meyer Potter.

## Consumer Credit Interpretations

The Board of Governors of the Federal Reserve System have made the following consumer credit interpretations in the *Federal Reserve Bulletin* for February 1945:

### Rural Electrification Credit

With respect to the applicability of Regulation W to credit extended by Rural Electrification Administration cooperatives to finance the wiring of farm homes, barns and outbuildings, the Board has ruled that credit extended to cover the wiring and fixtures installed within the farm house would be subject to the Regulation, but that credit extended to cover all other fixtures for general farm use, including leads to the power line from the farm, and fixtures used in barns and outbuildings (which are usually of waterproof construction and not of a kind commonly used in a home) would be exempt under section 8(i).

### Repair or Installation of Coal Stoker

Questions have been raised recently as to the application of section 8(m) of Regulation W to credit for the repair or installation of coal stokers. It has accordingly been considered desirable to consolidate and clarify certain previous rulings on this subject:

1. Credit for the repair of a stoker is exempt.
2. Credit for the replacement of a stoker that is worn out, damaged beyond repair, or destroyed is exempt.
3. Credit for a stoker that is to be installed in a heating system to be converted from oil to coal is exempt.
4. Credit for a stoker that is to be installed in a heating system to be converted from hand-fired coal to a stoker-fired coal is exempt.

The last item modifies slightly the Board's ruling published in the 1942 Federal Reserve BULLETIN at page 990. Since the coal for which stokers are designed and which is generally used for stoker-firing is of a different kind from that for which hand-fired furnaces are designed and which is generally used for hand-firing, the heating equipment can be said to be converted to the use of another fuel, even though in a few instances the kinds of coal used before and after the conversion may be similar.

GIVE TO CONQUER  
CANCER

**RIGHT NOW**, 600,000 Americans are suffering from cancer. Medical men believe

that the death rate from cancer can be cut one-third to one-half through widespread education, and that with adequate funds for research, cancer might be a minor cause of death. ★★★

Send a generous contribution to

**The American Cancer Society**

3713 Washington Blvd.

St. Louis 8, Mo.

**L**LEFT ATLANTA early Wednesday morning, January 17, for Greenville, S. C., where a meeting was scheduled for that evening. On arrival at the station, about 7:30, I found that the train was more than two hours late and we were not served breakfast until after ten o'clock. Although we were on the main line of the Southern Railroad (New Orleans to Washington) the steward informed us that there was no sugar or butter—that they had been out of both for a week or more. I mention this only to show the difficulty of traveling in these days.

My first call in Greenville was on Mr. L. T. Lindsay, Secretary-Treasurer, Ivey-Keith Company, and key credit executive of the city. Unfortunately I could not see Mrs. Dora Davis of Meyers-Arnold Company, President of the Credit Women's Breakfast Club, as she was in New York. My time being limited, only a few calls were made during the afternoon, one on T. A. Baugh, Manager of the Credit Bureau.

The meeting was held at the Ottaray Hotel and was sponsored by the Credit Women's Breakfast Club. The Vice President, Mrs. Bruce, introduced Mr. Lindsay, who served as chairman. There were between forty and forty-five present, including Mr. Tom McGee, President and Treasurer, The Aug. W. Smith Co., Spartanburg, C. E. Evans, Assistant Secretary-Treasurer of the same company (Vice President of District 3, N.R.C.A.) and also Mr. Aug. W. Smith, Chairman of the Board of the Aug. W. Smith Co., who resides in Greenville.

The Breakfast Club was organized in the late summer of 1944 and is making nice progress. Messrs. McGee and Evans promised to assist Mr. Lindsay and other Greenville credit leaders in organizing a Local Association affiliated with the National. It was recognized that Mr. Lindsay is the logical man to take the initiative in the organization of the group.

Following the meeting, Messrs. McGee, Evans and I drove to Spartanburg, about thirty miles distant. Henry Alexander, President of District 3 of N.R.C.A., could not attend the Greenville meeting, as it was impossible to reach there from Augusta, where he attended a luncheon meeting the same day. He met me at Spartanburg and on Thursday, accompanied by Mr. Evans, we made calls on a number of leading retailers. At noon we were luncheon guests of Messrs. McGee and Evans.

The meeting that evening at the Hotel Franklin was attended by approximately forty and was presided over by Mr. Evans, who was presented by the Bureau Manager, T. B. Godfrey. He in turn presented Mr. McGee and District Director G. Griff Smith of Hammond-Brown-Jennings Co., who made short talks. Mr. Alexander spoke on the activities of the District and the membership goal, which called for doubling that of the District. He expressed regret that the conference of Districts 3 and 4, scheduled to be held in Charlotte, March 12 and 13, had been postponed and stated that it would be held at the first opportunity. It was necessary for Mr. Alexander, because of an acute personnel problem, to return to Charlotte after the meeting.

I left by bus for Columbia, S. C., early Friday morning. It rained hard all afternoon, which prevented calls being made, except on Mr. Harry W. Campbell, Manager of The Credit Bureau, Inc. Several of the key credit managers met in my room at the Wade Hampton Hotel before dinner and following the meeting another session was held.

The meeting, which was the third I have attended in Columbia in the past several years, was an excellent one and the members were more enthusiastic than on my last visit to Columbia, about four years ago. Mr. Campbell assured me—and asked that I inform the President of the District, Henry Alexander—that he would report at least twenty-five

new members and while he did not promise definitely to double the number, he expected to obtain fifty members within the next few months. (In February Mr. Campbell reported twenty-seven members.)

On Saturday morning I left by bus for Charlotte and that afternoon Henry Alexander and I drove to Gastonia. We called on Mrs. Pauline Lowder, Executive Secretary of the Gaston County Merchants Association. In addition to organizing the Breakfast Club, in which she is keenly interested, Mrs. Lowder had previously organized a local unit of the N.R.C.A. Although the merchants were very busy, we made several calls, accompanied by Mrs. Lowder.

Saturday night I joined Henry Alexander and several of his friends in a friendly game of poker at his home and,

# Jour

Of the Manage  
L. Sawde

as usual, was "taken into camp." However, the limits were small and we spent a very pleasant evening.

Had a very interesting talk with Mr. Geo. W. Dowdy, General Manager of Belk Brothers Company, who was very much interested in the activities of the N.R.C.A., and particularly interested in the success of District 3, in its membership campaign being conducted by Mr. Alexander of Belk Brothers and the conference of Districts 3 and 4, which is to be held in Charlotte—it is hoped later this year or early in 1946. Mr. Dowdy attended our National Convention in New Orleans in 1942 and was to have accompanied Mr. Alexander to the Cleveland convention this year. He hopes to see District 3 exceed the membership goal of President Alexander, who, as stated, expects to double the membership during his term of office.

Mr. Dowdy and Belk Brothers Company are entitled to a vote of thanks for permitting Mr. Alexander to devote so much time to District activities.

On Monday morning Mr. Alexander and I left by bus for Winston-Salem, N. C. We were the guests of Ernest Yarbrough, Secretary of the Winston-Salem Retail Merchants Association, for luncheon. That afternoon, accompanied by H. E. Haworth of the Rominger Furniture Co., a number of calls were made on prospective members, several of whom stated they would send in their applications. Mr. Yarbrough and Mr. Haworth, who is an active member of the National, promised to call a meeting of key credit managers to discuss plans for organizing a local unit of the National.

That evening we attended the annual meeting of the Winston-Salem Retail Merchants Association, at the Robert E. Lee Hotel. Attendance exceeded 400. The speaker of the evening was James E. Gheen, a humorist of national reputation. He did a fine job. The report of the Executive Secretary showed that the Association made excellent progress during the year.

The following morning we went by bus to Greensboro, N. C., a distance of about thirty miles. We arrived at the office of the Credit Bureau just as it was opening for the day's business. We were greeted by R. G. Trosper, Executive Vice President, Greensboro Merchants Association, Inc.,

and Past President of the Associated Credit Bureaus of America. He called a meeting of eight or ten of the key credit executives and retailers of the city and it was decided to arrange for meetings of the local group and to increase its membership.

Unfortunately, we had to leave the city about noon, to return to Charlotte by bus in time for the evening meeting of the Charlotte Credit Club. It was the annual meeting of the Club and Mr. Alexander, who was finishing his term as President, presided. After the election of officers I spoke informally of the activities of the N.R.C.A. and of some of the Local Associations—units of the National for a quarter of a century or more. I look for the Credit Club of Charlotte to become one of the largest units in District 3. At present

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Of the Manager.

L. Snyder

the largest units in the District are Atlanta, Jacksonville, Savannah, Columbia and St. Petersburg, in the order named.

After the meeting, accompanied by L. V. Wells, Executive Secretary of the Credit Bureau and S. Ellis Pierce, Assistant Administrator of the Charlotte Memorial Hospital, I visited the Credit Bureau. Mr. Wells mentioned some of his plans, told me of improvements that had been made in recent months and was enthusiastic regarding the future possibilities of the Bureau.

Left by bus early Wednesday morning for Columbia, S. C., en route to Savannah. The train for Savannah was reported late, which gave me an opportunity, after luncheon to call on Harry W. Campbell, Manager of the Credit Bureau, mentioned previously, who is highly regarded by the credit managers and retailers of Columbia and who is rendering a splendid service.

The Secretary of the Savannah Association, M. B. Weldon, had dinner with me at the Savannah Hotel on Wednesday evening, following which we discussed activities of the Local Association and possibilities of increasing its membership. Mr. Weldon, who for many years was connected with the Retail Credit Company, and for fifteen years or more had managed the Credit Bureau at Savannah, is now operating his own bureau and continues as Secretary of the Local Association, which he organized in the early thirties. Calls were made on a number of key members and credit managers Thursday and Friday. It has been my pleasure to visit Savannah on several occasions, the last time four years ago.

The meeting at the Savannah Hotel on Thursday evening was the largest and most enthusiastic it has been my privilege to attend in Savannah. It was attended by a number of store owners, in addition to the credit managers and members of the Credit Women's Breakfast Clubs. Following my remarks on present conditions and trends and the postwar outlook, an open forum was held in which many of the members participated. The President of the Association, David Herold, Credit Manager of Leopold Adler, presided, and he introduced the Toastmaster, Edward A. Wright, Past President of the Association, and a Director of District 3, N.R.C.A.

Mr. Wright, by the way, is the only credit manager the Savannah Electric & Power Company has ever had and on February 1 started his 38th year with that company.

Friday noon I was a guest at a luncheon at which were present John Bridger of The Jones Company, Clinton B. Gnann of Morris Levy, David Herold of Leopold Adler, Harold Snedeker of Savannah Gas Company, M. B. Weldon, and E. A. Wright. We were served delicious steaks, something unusual in these days.

Was scheduled to leave Savannah late that afternoon, on the Seaboard fast train for Jacksonville. It was reported several hours late and upon calling the ticket office, Mr. Weldon was informed that the local, which was supposed to have left about the time of his call, was also late and would not leave for twenty or twenty-five minutes. I hurried to the hotel, checked out, and finally got a taxi. Before leaving, however, the driver took his time to call the taxi office, although I informed him I was trying to catch a train and had about five minutes to do so. His reply was, "You should have started earlier"—again giving you an idea of what we contend with in traveling these days. He was unable to get the office and finally another cab came by, in which there were two servicemen to be taken to the bus station. I was transferred to that cab and after stopping at the bus station, reached the railroad station about ten minutes later than the local for Jacksonville was to have left. Fortunately, it was later than reported. This enabled me to reach Jacksonville about nine o'clock and as there was no diner on the train and most restaurants were closed, I had difficulty getting dinner at 9:30.

On Saturday morning, accompanied by Charles E. Moorman, General Manager, Credit Bureau of Jacksonville and a Past President of the Associated Credit Bureaus of America, we called on several of the key members. President Riggs, Mr. Moorman and I had luncheon together at the Spanish Restaurant, and that afternoon Mr. Riggs drove me to St. Augustine. Although I had passed through the city on many occasions, I had not previously stopped there. It is a delightful city and the oldest in the United States.

On Sunday Mr. Riggs drove Rudy Moss, Director of District 3, Henry Alexander and me to Silver Springs, Ocala, Fla., about 120 miles from Jacksonville. We spent a pleasant couple of hours there and trips were taken on the glass bottom and the "Photo-Sub" boats.

On Monday morning I attended a meeting of the Credit Women's Breakfast Club of Jacksonville, honoring Mrs. Kitty Lofton, President of the Credit Women's Breakfast Clubs of North America. This meeting was presided over by the President of the Jacksonville Club, Mrs. Brilla Snead, who, by the way, is a grandmother and a licensed pilot.

On Monday Mr. Gilbert S. Goshorn and I called on several bankers and credit managers, and on Tuesday morning President Riggs and I made a number of calls.

The testimonial dinner at the Mayflower Hotel on Monday night, honoring President Riggs and given by the Retail Credit Men's Association and the Credit Women's Breakfast Club of Jacksonville, was a huge success. (Details appeared in the March CREDIT WORLD, for which reason I am not covering it at length in Journeyings.)

My stay in Jacksonville enabled me to discuss many items of business of the National Association with President Riggs—my first opportunity since the convention at Milwaukee last May. The delegates who attended that convention and knew of President Riggs' illness, which continued for several months after the convention, will be delighted to learn that he is again enjoying good health.

Left Jacksonville on Tuesday night, January 30, and arrived in St. Louis the morning of February 1.



the respect of friends. I had no friends at all except those who drank to excess as I did. I was totally irresponsible and undependable. I had wrecked my own finances to the point that I was hopelessly in debt. I had ruined everything of value and I had lost not only the respect of others, but worst of all, I had lost my own self respect. When a man loses that, he has lost everything. Most of my time I spent fearing life and hoping for death, and at the same time, fearing death and hoping for life; a hopeless dilemma.

Many times when I drank, I knew that the drink was going to be poison to me. I felt that if I did not have the drink, I would not be able to survive.

### **Help of My Father**

Then, just before I was to go to the Eastern Sanitarium, my father, who is a practicing physician, and who had been studying my problem for years, came to St. Louis to buy a surgical instrument at a local surgical house. While there, because of the comradery among physicians, he introduced himself to a doctor who was then on the staff of the School of Medicine of a prominent local university. He told him of my problem. It was always on his mind. And this doctor told him that he would suggest that I not go to a sanitarium, because only four per cent of alcoholics who go to sanitariums, or other cures, ever recover. The other ninety-six per cent go inevitably either to their graves or to permanent incarceration in a mental institution. Not a very bright picture for my father, and certainly not a very bright picture for me. "But," he said, "there is an organization called Alcoholics Anonymous, which has had miraculous results in aiding in the recovery of alcoholics, and I suggest that your son get in touch with that organization in St. Louis and see if they can help him, because that is the 'port of last call.'"

I did not go to a sanitarium but instead, in September of 1941, I got in touch with the local organization of Alcoholics Anonymous, and two of the finest men that I have ever known in my life called upon me at my home when I was so jittery that I could not sit on a couch. I was so violently nauseated I could not hold so much as a swallow of water on my stomach. They told me about having gone through the same thing that I was going through. While I sat there, I looked at those two men, staunch, stalwart, fine looking men, men of position, men of responsibility, and there I got my first spark of hope that I, too, might recover. So I worked hard with that organization, and since September 15, 1941, not a drop of intoxicating liquor has passed my lips.

Now, that part in itself is not significant, but the marvelous thing about it is that I have lost completely the urge to drink and have no craving for it whatsoever. I am so thoroughly happy without liquor that there is nothing in a drink that interests me any longer. And that feeling abides with me even when I am serving liquor to my friends in my own home; when I am mixing Manhattans or some other kind of cocktail for my guests, and even when I smell them to see whether they

smell like I think they ought to taste. Never once do I have the desire to drink. And that condition of mind has existed for several years.

The fact that I have been blessed with the opportunity of living without the craving for alcohol is worth telling everyone. Something has come to me through this great organization which has made it possible for me to live a normal useful and happy life without alcohol.

Now, what changes have been made in the last three and a half years? I have not had any more automobile accidents. Is that merely a coincidence? I have paid off every dime that I owed. I am solvent. I own my own home, unencumbered. I owe not one person a dime, and I have a little nest egg for a rainy day; that has come through sincere effort, and also through strokes of good fortune. Perhaps this is a coincidence, but financial stability never came to me while I was craving liquor and drinking it.

My father and mother, who gazed into empty space and who looked into the future with complete hopelessness, are now the two happiest people on the face of God's green earth. My wife, whose face was drawn with lines of despair, disillusionment, discontent and hopelessness, who stood by me through all those troublesome years, is today radiating the very essence of happiness and tranquility of soul. My friends, who left me like rats leaving a sinking ship, have returned to me. Some Judges who criticized me in open court for my drinking have now appointed me to positions of trust. My friends respect me; I have my self-respect restored; because I believe now that I am doing something useful for my fellow sufferers when I pass on to them the hope of recovery.

My story is the story of a fellowship of over fifteen thousand men and women in this Country of ours; alcoholics—innumerable alcoholics—who no longer drink. 425 groups in this nation, including groups in New Zealand and Australia. "Bill" Wilson, a former Wall Street Broker, and "Doctor Bob" Smith, a physician of Akron, Ohio, are the co-founders of this great movement which was born eleven years ago. To these men I owe my life, my all. May God richly bless them. The possibilities of this great work are unlimited, and yet, with fifteen thousand members, we must remember that there are a million, five hundred thousand persons who could avail themselves of this program of recovery if they knew of it and if they had the desire to be helped.

### **Our Plan of Recovery**

Now you ask—How is this done? There are twelve steps in this program which we seek to follow. For the sake of brevity, I am going to place them in five categories. First of all, we admit that we are powerless over alcohol, and that our lives have become unmanageable. Until one makes that bold and unvarnished admission, there is no hope for his recovery. Won't you please make it easier for him to make this admission by removing the present false social stigma stamped on the

(Turn to "It Happened to Me," page 31.)



# Wanted-1,000 New Members

Open letter to all members of the  
National Retail Credit Association:

I have just received a letter from President Riggs from which I quote:

*I am counting on you and your committee to increase the membership of the N.R.C.A. to 17,000 by May 31, 1945. This will be an all-time high for the Association, but know you can do it.*

Does the membership committee need help? We sure do. You can see what kind of a President we have. He just doesn't use small figures, no in-between amounts, just even thousands.

During the last few months we have secured over 1,400 new members and the total membership now is over 16,000, but to satisfy President Riggs and to set a new record in membership, let's really show what we can do during April and May.

I am counting on each and every member of the Association to help our membership committee during the last two months of this year to secure at least 1,000 more new members for the Association.

Yours very truly

HARRY F. REID

GENERAL MEMBERSHIP CHAIRMAN

P.S. Dear President Riggs:

Since postwar retail credit conditions can be met best by those equipped with the advantages gained by being a member of the N.R.C.A., I am sure the membership in our Association will reach 17,000 by May 31, 1945.

H. F. R.

## New Members

### New Members by Districts June 1, 1944, through March 15, 1945

District	New Members
10	195
4	193
12	154
3	134
8	134
7	118
2	112
6	103
5	90
11	67
13	52
9	46
1	36
Total	1,434

### Cities Reporting 10 or More New Members June 1, 1944, through March 15, 1945

District No. 1	
Bridgeport, Conn.	10
Providence, R. I.	12
District No. 2	
New York, N. Y.	38
Schenectady, N. Y.	54
District No. 3	
Jacksonville, Fla.	28
Charlotte, N. C.	16
*Greensboro, N. C.	16
*Columbia, S. C.	27
District No. 4	
*Florence, Ala.	11
*Alexandria, La.	34
Baton Rouge, La.	14
*Lake Charles, La.	12
New Orleans, La.	13
*New Iberia, La.	10
Shreveport, La.	52

District No. 5	
Toronto, Ont.	16
*Windsor, Ont.	13
*Lansing, Mich.	13
District No. 6	
Des Moines, Ia.	16
Minneapolis, Minn.	13
St. Paul, Minn.	47
District No. 7	
Little Rock, Ark.	16
Kansas City, Mo.	21
St. Louis, Mo.	30
Bartlesville, Okla.	16
District No. 8	
Beaumont, Tex.	13
Corpus Christi, Tex.	13
Fort Worth, Tex.	13
Galveston, Tex.	15
Port Arthur, Tex.	18
Waco, Tex.	10
District No. 9	
Denver, Colo.	14
Salt Lake City, Utah	14
District No. 10	
Calgary, Alta.	56
Victoria, B. C.	21
*Coquille, Ore.	19
Eugene, Ore.	18
Portland, Ore.	19
Spokane, Wash.	12
Tacoma, Wash.	11
District No. 11	
Los Angeles, Calif.	13
San Francisco, Calif.	23
District No. 12	
Washington, D. C.	12
Baltimore, Md.	25
Johnstown, Pa.	13
Philadelphia, Pa.	32
Pittsburgh, Pa.	50
District No. 13	
*Decatur, Ill.	22

\*New National Units.

Meetings  
ELECTIONS

# NEWS ITEMS

Personal and  
OTHERWISE

## Schenectady Sponsors Course For Doctors' Secretaries

During January and February, 40 secretaries and office assistants of physicians and dentists were enrolled in a study course called "Professional Economics" sponsored by the Associated Retail Credit Men of Schenectady, Schenectady, N. Y. (See picture below.) The course consisted of a series of seven lectures designed to provide practical job information to professional business women. Some of the subjects included: "The Art of Being a Good Receptionist," "Patient Relations," "Professional Accounting and Office Practice," and "Legal Problems of the Physician."

The school was developed by the Education Committee of the Association under the chairmanship of Stannard M. Butler, Credit Manager, Schenectady Union-Star. Officers of the school include: Director, John B. Goldthwait, Vice President, Morris Plan Industrial Bank; Registrar, Catherine Davey, Ellis Hospital; Assistant Registrar, Mrs. Kathryn McDowell, Dr. C. L. Moravec; and Bursar, Mrs. Lucie Pagan, Dr. F. F. McGauley. The faculty consisted of Dr. E. MacD. Stanton, Charles L. Marvin, Miss Davey, Mrs. Pagan, Mrs. Alice McChesney, Frances E. McCarthy, Mr. Butler, Mr. Bantham and A. C. Wemple.

Twenty-six students qualified for certificates which were awarded at a graduation dinner. Dr. Glen Smith, President, Schenectady County Medical Society delivered the commencement address. It is believed that this is the first school of its kind held in the U. S. A.

## Annual Meeting at Ponca City

Over 225 attended a dinner commemorating the 25th Anniversary of the Ponca City Retailers' Credit Association, Ponca City, Oklahoma, February 8, at the Continental Cafeteria. All but two of the 15 past presidents attended and were honored with the retiring officers. New officers and directors were introduced following an address by David L. MacFarlane, Dean of Men at the Emporia State Teachers College, Emporia, Kansas.

## T. L. Robinette in New Position

Congratulations and best wishes are extended to Mr. T. L. Robinette, K.C., on his recent appointment as Toronto Store Superintendent of the Robert Simpson Co. Ltd. For the time being he will also have general supervision of credit operation.

Tom, as he is called by his many friends in both the United States and Canada, graduated in law from Osgoode Hall, Toronto, in 1922 and remained in private practice until February of 1928 when he joined the staff of the Robert Simpson Co. Ltd. as Collection Manager. In September, 1930, he was appointed Manager of the Department of Accounts and later took over supervision of Credit Operations for all branches of the Organization. He was appointed a King's Counsel in 1938.

He also found time to take an active part in the different educational courses sponsored by the Credit Granter's Association of Toronto of which he is now Chairman, and has contributed articles on different occasions to both *The CREDIT WORLD* and *CREDIT IN*



CANADA. He is Vice-President of the Toronto Credit Bureau and also a Director of the National Retail Credit Association and committee Chairman of Credit Granters' Association of Canada.

His broad knowledge and experience in various phases of credits and collections has been of material assistance in furthering the activities of both the Canadian and Toronto Association and also in the formation of the Credit Women's Breakfast Club of Toronto.

It is sincerely hoped that the responsibilities of his new position will permit his continued interest in credit. The part that he has played in the past is very much appreciated and best wishes are extended for his success in this new line of endeavor which will give greater scope for his initiative and ability.

### First G.I. Loans in Denver

The first three mortgage loans to be made in the entire Rocky Mountain Region under the G.I. Bill of Rights were completed recently by the Industrial Federal Savings and Loan Association, Denver, Colo. The Retail Credit Men's Association of Denver made the inspection of the first case; this being their first under the Act.

The first of these loans was made to William A. Woodford, a recently discharged army private. He is married and the father of one son. Mr. Woodford, now a draftsman for the state highway planning commission, was employed by the Denver ordnance plant before he entered the service.

Below is a picture of Mr. Woodford signing the loan papers. Standing, left to right are: C. W. Nichols, Colorado finance officer for the administration; Milton J. Conway, Vice President, Conway-Bogue Realty and Investment Co.; and Major A. D. Borden, Manager in Colorado of the United States Veterans' Administration. Seated, left to right are: Pete de Longchamps, Manager, Loan Department, Industrial Federal Savings and Loan Association; Mrs. William A. Woodford; Mr. William A. Woodford; and Alfred J. Bromfield, President of Industrial.



### Position Wanted

MANAGER—CREDIT BUREAU OR OTHER CIVIC ORGANIZATION: 15 years all-round experience in one of the largest Retail Credit Bureaus in the United States. Also experienced in Merchants and Wholesale Association work. Draft exempt. Excellent references. Address Box 451, CREDIT WORLD.

## Credit Careers

### Courtney R. M. Gale

IN 1929, a few farsighted Vancouver, B. C., credit men felt the need of an organized Retail Credit Grantors' Association. In 1930, after months of planning, the Vancouver Retail Credit Grantors' Association was born. Gradually the Association grew in strength and stature. The ensuing years saw great strides in the progress of the Association. In addition, consumer credit conditions improved to such an extent that today Vancouver is recognized as the leading city in Canada with respect to a sound condition of consumer credit.

Interested in the group since its inception, Courtney R. M. Gale, Credit Manager, David Spencer Limited, has been a tower of strength for the entire 15 years of its life. Three times he has been President and for the remaining 12 years has been active in one capacity or another. It has become a hobby with him to such an extent that frequently he would subjugate his personal interests and well being for the benefit of his beloved Association, even to the extent where his health became impaired. He became affectionately known as "Dean of the Association" and often referred to himself as the "Patriarch of the Association."

Recently he announced his withdrawal from active participation in the affairs of the Association, but promised to stand by to assist in an advisory capacity whenever he was wanted. In recognition of his untiring efforts and selfless devotion to their interests, the Association conferred upon him, at their 15th Annual meeting held last February, the high honor of Honorary President for life. This is an honor which, according to their constitution, can be held by only one man in a lifetime. In addition, the unofficial titles of "Dean of the Association" and "Patriarch of the Association" were officially recognized and reserved in his name only.

The picture below shows Mr. Gale receiving the illuminated address presented to him at the meeting by Vice President H. G. Barnes (now President), commemorating the occasion.





# Credit Department Letters

Waldo J. Marra

IN A RECENT issue of *Printer's Ink*, there is an editorial entitled, "A Smile Won't Fit a Sour Puss," and in it Mr. R. D. Wheeler, General Manager of the Novelty Press, discusses the importance of *consideration* of the other person in writing business letters. He emphasizes "as one cannot restate too often, that successful salesmanship (through letters) is based on *consideration* of the other man."

He relates the story of a high-ranking executive in a large organization who, on one Christmas Eve, suddenly realized that he had the reputation of being a penny-pinching, selfish Scrooge. So he got up from his desk, put on a forced smile, and began a tour of the offices "Merry Christmasing" every person he met. People looked at him with amazement and answered, "Merry Christmas," automatically, looking at each other rather blankly.

"Did he spread cheer and happiness?" asks Mr. Wheeler. The answer definitely was "No," because somehow his smile "just did not fit on his ordinarily sour puss." It was a smile borrowed for the occasion,

## Waldo J. Marra



WALDO J. MARRA, who has just retired from the Army of the United States after serving three years as Captain in the Transportation Corps at the San Francisco Port of Embarkation, is well known to many of our members. He is the author of our popular text and reference book, *STREAMLINED LETTERS*, and he has had more than 25 years' experience in the field of letter-writing.

Because he has been a Lecturer in Correspondence at several universities and has also been a letter-writing counselor for numerous large corporations and institutions, Mr. Marra speaks with authority and brings to our members in this department a diversified and unique practical experience. In addition, he will conduct our *BETTER LETTERS SERVICE* and *STREAMLINED LETTERS* extension course. We are glad to welcome him to our staff.—Ed.

and thus was not sincere. Mr. Wheeler's observation is that to put the "you-attitude" in our letters *we must first be sure to put it in our hearts*. In *Streamlined Letters*, N.R.C.A.'s official textbook, the same idea is expressed in the principle, "Put your courtesy-attitude on straight."

Your letters reflect your character; therefore, if you are cheerful, courteous and considerate, you will show these qualities to your customers in your letters. But on your "off" days be careful not to be a "sour puss" and don't dictate letters that are the reverse of your character.

### This Month's Illustrations

The illustrations this month represent a series of seven collection letters by Davison's of Atlanta, Georgia. The letters and the card (No. 8) have been used very successfully by this store for a long time, as correspondence indicates. Charles Dicken is the Credit Manager.

In view of their volume of business, Davison's letters are in printed form. This, however, does not rob them of their friendly tone so necessary in modern collection correspondence. In fact, the letters show the good will and friendliness of the store, and these qualities, no doubt, have helped to make these letters successful.

You will notice that at the bottom of each letter appears the statement, "If payment has been made within the last few days, please accept this as another 'thank you.'" This wording is highly preferable to the commonly used expression "please disregard this letter," because it is different and more cordial in tone.

Another practical feature is that each letter is part of a return envelope to be used by the customer, making it easy for him to reply. This is one of the essential points that successful letter-writing demands. Experiments have proved that enclosing an envelope with collection statements or letters has raised the percentage of replies as much as 15 per cent to 20 per cent in some cases—the general average being about 10 per cent. Therefore, in a store with a large number of accounts, the sending of an envelope is well worth the extra expense.

These collection forms were printed by Remington Rand (Col-Velope) Buffalo, New York. Similar notices have been successfully used by many of our members throughout the country. In these days of personnel shortages, such forms are real timesavers and produce excellent results from a collection standpoint. If you are interested in actual samples, send your request direct to Remington Rand, Buffalo, N. Y.

\*\*\*\*\*  
Letters appearing in this regular monthly section of *The CREDIT WORLD* are selected for the ideas they contain as well as the manner of presentation. Although some may not be perfect from the standpoint of construction, etc., all have produced satisfactory results and deserve close study.—Editor.

①

*Davison's*  
ATLANTA

Dear Customer:

Just a word of appreciation for your business and a friendly reminder that accounts are due in full on or before the next billing period.

As previously explained your account is also affected by the Government credit regulations.

We would appreciate your cooperation in order that we may have the privilege of serving you again as a charge patron.

Thank you.

Cordially,  
DAVISON'S  
Charge Account Office

If payment has been made within the last few days, please accept this as another "thank you".

②

*Davison's*  
ATLANTA

Dear Customer:

We believe we have previously called your attention to the past due balance on your account.

It has also been our intention to explain that Government credit regulations do not permit further charges until the account is paid.

We are anxious to again enjoy your charge patronage and hope that we may receive your cooperation.

If it is impossible for you to make payment in full we suggest that you visit our Credit Office at your earliest convenience. Undoubtedly, arrangements can be made to restore credit privileges in accordance with Government credit regulations.

Thank you.

Cordially,  
DAVISON'S  
Charge Account Office

If payment has been made within the last few days, please accept this as another "thank you".

③

*Davison's*  
ATLANTA

Dear Customer:

We notice that you recently made a partial payment on your account for which we thank you.

However, the account is still affected by the Government credit regulations because a portion of it remains past due.

We are sure that you are as anxious to have credit privileges restored as we are to enjoy your charge patronage. If possible, we would appreciate your check, which would cover the amount of the recent statement sent you.

We are most grateful for your patronage and hope you will do your utmost to place your account in a current condition.

Cordially,  
DAVISON'S  
Charge Account Office

If payment has been made within the last few days, please accept this as another "thank you".

④

*Davison's*  
ATLANTA

Dear Customer:

Perhaps you overlooked it —  
Possibly you forgot —

At any rate, we haven't received the payment requested in our recent letters.

We wonder if you realize that part of the balance of your account represents merchandise purchased months ago.

Don't you think this explanation entitles us to your cooperation and payment?

Your check in the enclosed envelope will assure us that you do, and we'll appreciate it.

Cordially,  
DAVISON'S  
Charge Account Office

If payment has been made within the last few days, please accept this as another "thank you".

⑤

*Davison's*  
ATLANTA

Dear Customer:

Just a word of appreciation for your business — and a friendly reminder that accounts are due in full on or before the next billing date.

If nothing has occurred out of harmony with this understanding, we would appreciate your cooperation.

Thank you.

Cordially,  
DAVISON'S  
Charge Account Office

If payment has been made within the last few days, please accept this as another "thank you".

⑥

*Davison's*  
ATLANTA

Dear Customer:

We believe we have previously called your attention to the past due balance on your account.

It has also been our intention to explain that accounts are opened with the understanding that payment is due in full each month, unless otherwise arranged. Truly, the entire scope of retail credit is based upon this assumption.

We are most grateful for the business you have given us and shall always do our best to merit your continued patronage. Thank you for your cooperation.

Cordially,  
DAVISON'S  
Charge Account Office

If payment has been made within the last few days, please accept this as another "thank you".

⑦

*Davison's*  
ATLANTA

Dear Customer:

We notice that you recently made a partial payment on your account for which we thank you. However, a portion of the account is still several months past due.

In as much as your remittance does not cover the past due amount, may we have another payment at this time? If possible, we would appreciate your check which would cover the amount of the recent statement sent you.

We are most grateful for your patronage, and hope you will do your utmost to place your account in a current condition.

Cordially,  
DAVISON'S  
Charge Account Office

If payment has been made within the last few days, please accept this as another "thank you".

Pay to  
Order  
of

DAVISON-PAXON CO.

180 PEACHTREE ST., N.W.,

ATLANTA 3, U.S.A.

FROM

CHARGE ACCOUNT OFFICE

⑧

**You're 1-A at  
Davison's**

On Our List of Approved Charge Accounts

The card below identifies you as a Davison customer with a 1-A rating under Government Credit Regulations through the date specified.

**To Speed Up Service, Present This Card  
with Your Davison Charge-Plate**

To make shopping easier, speedier, pleasanter, on packages you take with you, present this card. It will enable you to get your purchase immediately.

**TEAR  
OFF  
Along  
Perforation**

For prompt service on Charge-Plate  
you still carry, present this card with  
approved by an authorized Card representative  
on FEB. 21, 1945 DAVISON'S  
*Mr. Ralph Innes*  
DAVISON'S

# Business Conditions and Outlook

• Volume of Trade and Industry Is 15 Per Cent Higher Than Last Year •

**THE TREND** in trade continues upward and more than offsets the slight decline in industrial activity. The result is that total business volume, which includes both production and commercial transactions, remains high. It is about 15 per cent higher than it was a year ago and in some parts of the country the increase is even greater.

**THE VARIATIONS** among different sections of the country are similar to those which were significant during the last part of 1944. The major changes were in the East and Northeast where severe winter weather and heavy snow storms disrupted transportation for several weeks. Business in all lines was adversely affected and in several places activity dropped below the level of a year ago. The recession is expected to be only temporary, however, and already some signs of more-than-usual spring expansion have been evident.

**THE AREA** around New York City continues to show most marked improvement, due largely to the enormous foreign shipments which are passing through that port. Some falling off would take place if the European War should end soon, but even after the fighting stops large quantities of goods will be shipped abroad for many months. Activity in other coast cities has held up well, but not quite so far above last year as it has in New York.

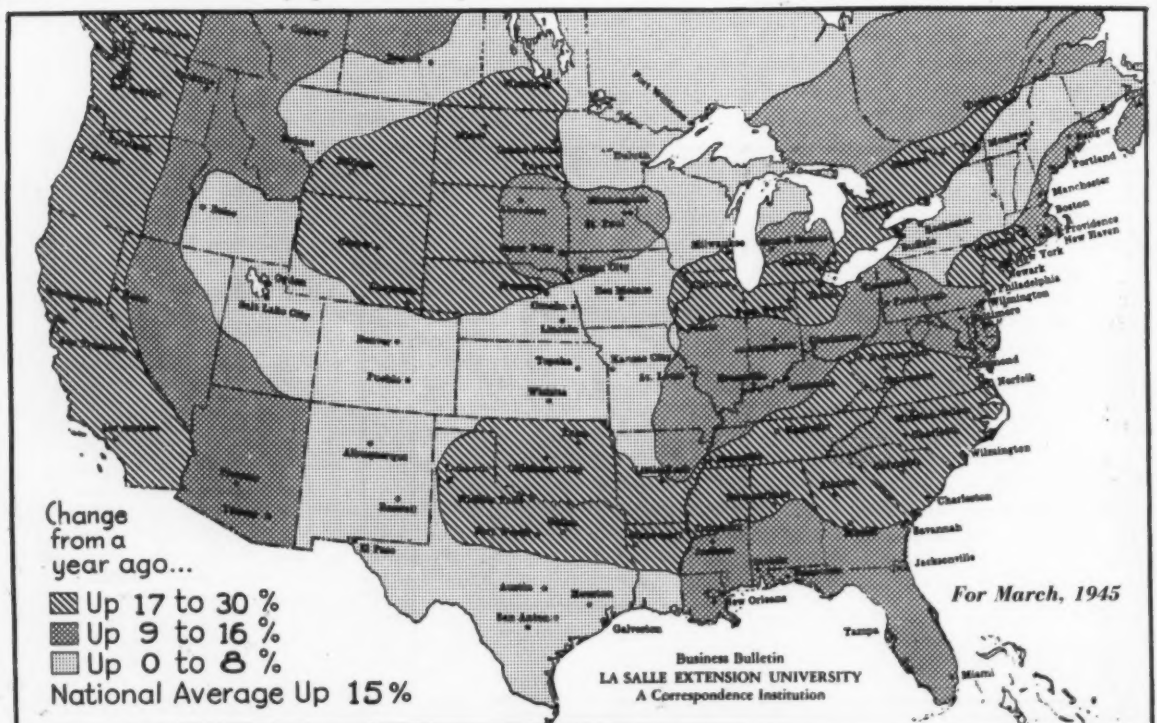
**IN THE** industrial region around the Great Lakes, the sharp upward spurt of several weeks ago has slowed down and in many places activity is but

little higher than it was last year. The Chicago and the Detroit areas are now making the best showing and the large new war contracts in each city will keep factory operations at high levels for some time. The steel industry has been turning out a little less steel than it did a year ago.

**BUSINESS VOLUME** throughout the South shows little change from that of recent months. In most sections the level of activity is not far from the national average, with the industrial areas just a little higher than in the more exclusively agricultural districts. Business is slightly below the unusually high levels of last year in several places. The relatively less favorable trend in lower Texas is due more to that comparison than it is to any extensive decline now.

**THE PACIFIC COAST** region continues to report business that is better than the national average as it has been doing for several years. Shipbuilding and airplane manufacturing are the most important industries in which activity keeps on at a high rate. The increases have been somewhat greater in the southern part of California than they have been in the northern coast states but everywhere business is above last year.

**IN CANADA,** the increase in the volume of business has been a trifle greater than in the United States, but the variations among the different sections have been about the same.







# MONTHLY CREDIT STATISTICS

Culled from *Federal Reserve Bulletin* of the Federal Reserve System  
by the Research Division, National Retail Credit Association

CONSUMER CREDIT outstanding at the end of January is estimated at 5,482 million dollars, representing a decline of nearly 305 millions during the month. About two-thirds of this reduction was in charge accounts receivable, but other major types of consumer indebtedness also showed customary seasonal declines.

Instalment credit outstanding on automobile sales showed a further small decline in January but at the end of the month was approximately 14 per cent larger than a year ago. Other instalment sale credit decreased somewhat more than is customary in January.

Charge-account indebtedness declined seasonally from the high level prevailing during the latter part of 1944 but was nearly one-fifth above the amount outstanding on January 31 of that year.

## Ratio of Collections to Accounts Receivable<sup>1</sup>

MONTH	INSTALMENT ACCOUNTS				CHARGE ACCOUNTS
	DEPARTMENT STORES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	DEPARTMENT STORES
1941					
December	20	11	12	23	46
1942					
June	22	14	13	22	56
December	31	18	15	30	65
1943					
June	29	21	21	33	62
December	35	22	22	55	63
1944					
January	30	20	22	31	61
February	31	20	22	31	61
March	36	23	26	34	65
April	31	23	26	28	63
May	33	25	26	30	64
June	31	24	28	30	63
July	30	23	29	31	61
August	34	24	32	31	64
September	35	24	33	32	64
October	39	26	36	33	65
November	39	24	37	34	67
December	36	23	39	49	61
1945					
January	32	21	36	30	61

<sup>1</sup>Ratio of collections during month to accounts receivable at beginning of month.

## CONSUMER INSTALMENT SALE CREDIT, EXCLUDING AUTOMOTIVE

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL EXCLUDING AUTOMOTIVE	DEPARTMENT STORES AND MAIL-ORDER HOUSES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	ALL OTHER RETAIL STORES
1941	1,805	469	619	313	120	284
1942	1,012	254	391	130	77	160
1943	641	174	271	29	66	101
1944						
January	576	158	248	24	55	91
February	540	147	236	21	51	85
March	529	144	231	19	52	83
April	518	141	229	18	48	82
May	519	141	235	16	45	82
June	515	138	237	15	44	81
July	502	132	234	14	43	79
August	499	132	233	13	42	79
September	510	138	236	13	43	80
October	532	148	244	13	44	84
November	565	162	253	13	48	89
December	635	184	269	13	69	100
1945						
January	574	169	247	12	55	91

## DEPARTMENT STORE SALES BY TYPE (Percentage of total sales)

YEAR AND MONTH	CASH SALES	INSTALMENT SALES	CHARGE-ACCOUNT SALES
1941—January	49	8	43
December	53	6	41
1942—June	56	5	39
December	61	5	34
1943—June	60	4	36
December	65	4	31
1944—January	64	4	32
February	63	4	33
March	62	4	34
April	62	4	34
May	62	4	34
June	63	3	34
July	65	4	31
August	64	4	32
September	63	4	33
October	62	4	33
November	62	4	34
December	64	4	32
1945—January	63	4	33

## TOTAL CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL CONSUMER CREDIT	TOTAL INSTALMENT CREDIT	INSTALMENT CREDIT				SINGLE- PAYMENT LOANS	CHARGE ACCOUNTS	SERVICE CREDIT
			SALES CREDIT			LOANS			
			TOTAL	AUTOMOTIVE	OTHER				
1941	9,499	5,921	3,747	1,942	1,805	2,174	1,204	1,764	610
1942	6,165	2,932	1,494	482	1,012	1,438	1,072	1,513	648
1943	5,158	1,939	816	175	641	1,123	1,034	1,498	687
1944									
January	4,818	1,836	745	169	576	1,091	996	1,294	692
February	4,662	1,785	707	167	540	1,078	962	1,218	697
March	4,836	1,804	696	167	529	1,108	955	1,276	701
April	4,801	1,785	689	171	518	1,096	966	1,346	704
May	4,898	1,801	700	181	519	1,101	997	1,390	710
June	4,945	1,826	707	192	515	1,119	1,033	1,370	716
July	4,882	1,833	706	204	502	1,127	1,038	1,287	724
August	4,988	1,899	709	210	499	1,190	1,029	1,330	730
September	5,282	1,921	720	210	510	1,201	1,228	1,402	732
October	5,422	1,946	743	210	533	1,203	1,228	1,516	732
November	5,595	1,973	773	208	565	1,200	1,231	1,664	727
December	5,786	2,080	835	200	635	1,245	1,220	1,758	728
1945									
January	5,451	1,994	766	192	574	1,228	1,210	1,515	732

# SUCCESSFUL CREDIT DEPARTMENT LETTERS

## VOLUME III

In this newly prepared Volume, we have gathered together a selection of letters and forms written for special purposes but which can easily be adapted to other businesses.

With increased responsibilities and the manpower shortage there is less time these days for the busy Credit Manager to sit down and write that difficult adjustment, good will or perhaps "trying" collection letter. Here is your opportunity to secure a practical, up-to-date booklet containing 173 excellent examples of credit department letters and forms of all types, among which are:

- Account Solicitation
- Collection
- Declining Account
- Adjustment
- Credit Sales Promotion
- Inactive Account
- Good Will
- New Account Acknowledgment
- Account Solicitation

Many of these are seasonal, others tie in with anniversaries, etc. A letter for every purpose.

Only \$1.00 to members—\$1.50 to non-members.

**BE ONE OF THE FIRST TO  
ORDER A COPY!**

**NATIONAL RETAIL CREDIT  
ASSOCIATION**

Shell Building • • St. Louis 3, Mo.

## "Questions and Answers"

(Beginning on page 10)

25. *If a loan is against a farm property must the veteran live on the farm?*

No. But the law requires that he operate the property. He must, therefore, live near enough actually to supervise the farming.

26. *Is there a limit on the size of a farm against which a loan can be guaranteed?*

No. Since a farm loan is, to some extent, against anticipated operations, the property would normally have to be large enough to produce a profit.

27. *May the proceeds of a loan be used to buy farming equipment?*

Yes.

28. *May funds from a guaranteed loan be used to pay operating expenses on a farm?*

No. The act specifies the uses to which funds may be put under a guaranty of loan, and working funds are not included.

29. *Can a guaranty of loan be secured for the purchase of business property?*

Yes.

30. *May a veteran use the guaranty of loan to acquire an interest in a going business?*

Yes. The law provides that the funds must be used in "pursuing a gainful occupation." This means the veteran would have to be active in the business.

31. *Must a veteran have experience in business to get a guaranty of loan for business purposes?*

The law provides that the Administrator of Veterans Affairs must find "that the ability and experience of the veteran, and the conditions under which he proposes to pursue such occupation are such, that there is a reasonable likelihood he will be successful . . ."

32. *Must a veteran put any of his own money into a business to get a guaranty of loan?*

That is a question to be settled with the lender. It would only have a bearing on the guaranty of loan insofar as it might affect the possibility of his success in the venture.

For example, a veteran buying a taxicab which he will operate would ordinarily require no working capital. Should he buy a taxi business, operating a fleet of cabs, he will need sufficient money as a backlog to assure that the business will not be in immediate difficulty for lack of working capital.

33. *May a loan be guaranteed for the purchase of inventory?*

No. The act says the funds may be used for the purchase of "supplies," but it has been determined that supplies are articles normally used in the operation of a business and do not include items to be offered for sale.

34. *May a guaranty be secured to buy an automobile?*

Yes. But only if an automobile is necessary and is to be actually used in the conduct of a business or a farming operation.



# In the News

THE LATEST box score on appeals to the War Committee on Conventions for permission to hold meetings: approved, 15; rejected, 469. Four approvals were for church gatherings. Another was for the joint wage conference of the United Mine Workers and bituminous coal operators.

\*\*\*

AN ASSOCIATED Press dispatch states that when a returning veteran resumes his old job, he is entitled to all length-of-service wage increases granted in his absence and which he would have gained if continuously employed. This principle was stated by the War Labor Board in affirming a decision handed down by the Chicago regional board in a recent dispute.

\*\*\*

THE MANPOWER situation is still beclouded. The kinks are being worked out by various War Manpower Commission programs in several cities. Congress is making slow progress toward agreement on manpower legislation. Continued good war news hampers both the WMC advocates and those urging a law.

\*\*\*

THE FEDERAL Reserve Board is preparing legislation authorizing a reduction in gold reserve requirements against Federal Reserve notes outstanding and Federal bank deposits. It will also ask Congress to make permanent the temporary law sanctioning the use of direct government obligations as collateral against Reserve notes in lieu of eligible commercial paper.

\*\*\*

ENCOURAGED by the recent passage of garnishment legislation applicable to the District of Columbia to cover all ordinary employees of private enterprise, the Kefauver Bill, with some alterations, has once again been introduced to the new Congress.

\*\*\*

ACCORDING TO preliminary estimates of the Department of Commerce, national income and national production in 1944 will attain the new highs of \$159 billion and \$197 billion, respectively. This represents an income of only about 5 per cent over 1943, as compared with an increase of 23 per cent from 1942 to 1943.

\*\*\*

THE WAR Committee on Conventions has decided that conventions, conferences and group meetings with an out-of-town attendance of 50 or less, in addition to local participants, will not require permits. The interpretation of local meetings which do not require permits is "any meeting of a purely local nature which is attended by not more than 50 persons who use transportation other than the regular facilities available within the city or suburban area—or in the case of a rural community, within the normal trading area—and for whom no hotel sleeping accommodations are required."

OF THE 95 per cent of 2,400 department stores, hardware stores, furniture and appliance dealers, who replied to a recent questionnaire, 9 out of 10 will stock postwar vacuum cleaners, refrigerators, washing machines and radios; 3 out of 4, irons, gas ranges and electric ranges; and more than half frozen food cabinets, space heaters, water heaters, kitchen cabinets and sinks.

\*\*\*

FEDERAL OFFICIALS are discussing a "selective lifting" of price and consumer credit controls after the war so that controls can be lifted on abundant items, but they will be retained on most scarce goods. They are considering a program to encourage individuals to hold on to their savings after the war rather than spend them too quickly for consumer goods.

\*\*\*

COOPERATIVES ARE getting set to invade the electrical appliance field. Following the favorable vote of the appliance committee and the executive committee of National Cooperatives, Inc., steps will be taken at once to prepare for postwar distribution of such items as refrigerators, radios, water heaters, home freezer units, washing machines, vacuum cleaners, toasters, stokers, irons, and other home and farm appliances.

\*\*\*

FROM THE Bureau of Labor Statistics comes the news that through the cooperation of consumers, producers, and Government, prices rose less in 1944 than in any year since the United States entered the war. Retail prices of family living essentials rose 2 per cent in 1944 and prices in primary markets rose 1½ per cent. This advance was smaller than in 1943 and compares with a 10 per cent increase in retail prices and a 17 per cent increase in wholesale prices between December, 1940, and December, 1941, the period of greatest increase.

\*\*\*

TOTAL CONSUMER instalment loans outstanding at commercial banks, small loan companies, industrial banking companies, and credit unions declined about one per cent during January to an estimated total of 1,024 million dollars. The aggregate amount outstanding at the end of the month was approximately 8 per cent above the level of a year ago.

\*\*\*

THE MARRIAGE boom which started with the draft in 1940 and reached its peak two years later, is now gathering momentum in a downhill dip which is not likely to stop until V-E day. A poll of marriage license bureaus in the 50 largest cities in the country showed a drop in 1944 of 9.2 per cent from the 1943 rate.

\*\*\*

OPA SAYS there will be no more over-finishing of cotton and rayon textiles. This alone will save consumers \$60 million.



# *Granting Credit in Canada*

J. H. SUYDAM . . . Canadian Correspondent

## Suspending and Closing Accounts

THE MAJORITY of accounts require no more control than that provided by the mechanics under which the system is operated, but there are enough exceptions to the rule to make their discussion important. These exceptions can be irritating and difficult to handle. In many cases they warrant breaking down under two headings for the purpose of separate discussion: First, the suspending and closing of accounts and second, credit frauds, etc.

Operating as we do under Government Regulations at the present time, the matter of suspension for the usual reason of delinquency is automatically taken care of and is really out of our hands. Most of us understand this today as the "freezing" of accounts but, before Government Credit Control was inaugurated and after it has been dispensed with the suspension of accounts did and will present an entirely different picture, and an entirely different problem.

### **Determining Store Policy**

As in a great many matters of this kind, the store policy influences the credit person's attitude and actions to a great extent but in all cases there is a limit past which no store will go. Let us assume that all stores follow a policy which is reasonably strict. For the most part, accounts are suspended for delinquency only during the period following the end of the month, or during the time at which statements are sent out. Accounts would be suspended during the calendar period for over-buying, because of insufficient current payments during the month, or because of some information coming to the attention of the Credit Department which could seem to indicate that the paying ability of the customer would be adversely affected such as the loss of position etc.

Various stores follow different policies in inaugurating collection procedure, but the two most common would seem to be either the making of a very close survey of all statements before mailing, putting to one side for special treatment, all those showing signs of delinquency, and mailing immediately the remainder which are up to date. Other firms rush the statements out at mailing time and then make a physical check of the ledgers to pick out the delinquent items which require collection follow-up and work from that point forward.

In either case the inception of the collection record, in whatever form it may take, is accomplished within the

first few days of the new month, and it is at that time that the decision has to be made regarding the suspension, insofar as the granting of further credit is concerned. Working under Wartime laws as we are, there is no question as to when an account must be suspended, and therefore no initiative or decision is required on the part of the Credit Manager save for those accounts which have exceeded their limits throughout the month.

In normal times, however, the responsibility rests entirely with the Credit Manager to make his or her decision as to those accounts which will be suspended, knowing full well, that, in taking this step, he or she is inviting unpleasant repercussions and long, and sometimes, heated discussions.

In any event, whether this suspension takes place at the end of the calendar period or during the month because of overbuying, the same problem of notification to the customer presents itself. These usually, as in the case of rejection of applications at the beginning, may either be handled by means of mail or telephone, as well as by using the device of having the customer referred to the office when making further credit purchases in the store. It would seem to be the consensus of opinion of credit executives that the use of letters is preferable to the use of the telephone in cases of this kind.

There are many reasons for this, the main one being that the average person can explain himself much more correctly in a written message than in an interview, whether it be by telephone or person to person. It is always the duty of the Credit Department to retain the good will and the future patronage of the customer whose account has been suspended. The use of the letter obviates a certain amount of embarrassment and a certain amount of resentment which might be present were a call made or were the customer asked to come to the office for the simple reason that the letter can be more carefully worded and that the customer has time to digest its contents thoroughly before the ultimate interview does take place.

### **Results of Letters**

Of the letters so directed to delinquent or overbought customers the large percentage will result in immediate arrangements being made which are entirely satisfactory to the store and the account will again be put on a current basis and will continue to operate in the usual way. Unavoidably however a certain number of these will not respond and will become collection items. Of this latter class, each one will have to be dealt with individually. Whether or not future credit privileges will be granted to the customers, will be determined to

---

IRENE ASHE, Charles Ogilvy Limited, Ottawa, Ontario, delivered this lecture at a recent Retail Credit School in Ottawa.

---

a great extent by the manner in which these overdue items are paid out and the attitude adopted by the customers during the process of collection.

We all know instances where strongest collection action has been taken against debtors who later became excellent customers. There are also instances where genuine bonafide reasons exist for the delinquency and in cases like this it is the Credit Manager's responsibility to co-operate with the debtor and see him through his tough times as far as is consistent with his duties and responsibility to his employer.

Credit frauds may take many forms from deliberate overbuying to the actual presentation of worthless cheques for the purpose of goods on credit. I propose to deal with this under several headings and have named the type of fraud and elaborated somewhat thereon.

1. *Deliberate overbuying.* Usually this takes the form of applying for a nominal amount or a set amount of credit and then deliberately setting out to exceed that amount by as much as possible in the hope that it will not be caught by the authorizing department, and in the anticipation of not paying as agreed, but rather of paying off over as long a period of time as possible, with no intention whatever of continuing to operate a charge account on the normal basis. These require the strictest kind of follow-up, with the least possible delay. The most satisfactory attitude to take with people of this kind is to get in touch with them immediately and give them to understand that payment in full of the account is expected at once. In many cases this can be accomplished by suggesting that a loan be arranged for the amount involved and absolute insistence is called for here.

2. Establishment of credit with a view to later buying excessively depending upon the record previously established to secure authorization of the largest possible amount of purchases. While this bears some resemblance to the first type, there is considerable difference and, if anything, the problem is more difficult to handle. In ordinary cases of this kind, steps similar to that outlined for number one are found to be the most effective, as it tends to show these people that they are going to be trained and that they have not accomplished their designs in securing protracted time in which to pay off their indebtedness which was their intention at the beginning of the deal.

#### **Types of Impersonation**

3. *Impersonation.* This heading should be broken down into two sub-headings: the first being Impersonation at the time of the opening of the account, and second; Impersonation in charging on an existing account. The second is certainly the more common but the other kind does exist. Relatively few people, however, will deliberately forge the name of another person and where this is done, the indicated procedure is immediate criminal action. The more common type, of course, is the charging on accounts of other persons and, while the merchant is often tempted to take criminal action here, the chances of proving the case are much less certain. This is not recommended except where the person to whose account the merchandise has been charged is willing to voluntarily appear as a witness. In these cases the most effective means of collection is

to have a personal interview with the culprit, once he or she is found and identified, either at the office or by going out to see him at his home or office. A suggestion that what he or she has done does constitute a criminal offense, and as a rule, brings some kind of settlement. If not, it would seem that about the only recourse left open is to apply the strongest collection procedure in the civil courts.

4. *Combination accounts.* We have all had experiences where, by the express permission of the holder of an account, a second or third party charges thereon. In most instances this permission is originally given to cover one purchase and this leads to trouble because, in many cases the person, to whom the authority has been given, continues to assume that he or she has the implied authority of the account holder to continue this practice. In many cases these accounts then go in arrears, and when called to task, the person under whose name the account is operated very often tries to get out from under by taking the stand that no such authority was originally given or that, if it was, it was for one or two purchases only and that no such tacit continuing authority actually did exist.

#### **Collusion Between Account Holder And Person Making Purchases**

This is a very difficult class of fraud to handle, but fraud it is because a Credit Manager never knows just how culpable the account holder is, or how far he or she will act in collusion with the person actually making the purchases. The safest course to follow in matters of this kind is to insist upon the responsibility of the person in whose name the account is carried while, at the same time, proffering your co-operation with the customer in recovering from the person who has made the alleged unauthorized purchases.

5. Establishing of accounts by the use of N.S.F. Cheques in payment of the balance owing. While this practice is not common, it does occur sufficiently often to be irritating. The safe way is to present all cheques for payment before unfreezing the account but this is not always practicable, and the danger lies in the fact that the purchaser, in all probability, knowing that the cheque will be returned within another forty-eight hours, takes advantage of that time to build up her account again as high as possible before the cheque comes back, leaving the Credit Department with a double amount to collect. The action to be followed here is obvious. It becomes immediately a collection problem. The presentation of such a cheque does not constitute a criminal offense under the N. S. F. Cheque Act provided it is given only for the amount of the account and that the cheque is not drawn so that cash is also involved. On the other hand if the cheque is drawn against an account which does not exist, grounds for criminal action do exist. ★★★

*Reading this magazine carefully  
and regularly will contribute to  
your success as a Credit Executive*

## ● Installment Financing . . . (Beginning on page 4) ●

used as the means of entering an already highly competitive field, then there are elements to consider other than just going out to get the business. The banks as purchasers and the finance companies as sellers must give measured consideration to the effect development of the plan might have, not only on their own operations but also on the industry as a whole. I believe this to be most significant, since immediate post-war competition will not be in terms but in rates.

Prior to Regulation W much concern was expressed regarding the highly competitive conditions in your industry as to terms and down payments, and small attention was given to rates, which were reasonably well stabilized at an attractive figure. Now, however, you have the reverse of this condition, with net rates at the lowest point in the history of the industry. This condition is largely due to the lack of volume, and there is, of course, the possibility of a stabilization of rates at a somewhat higher level with the resumption of volume business. I sincerely hope this is the case, but I feel you must keep before you the fact that along with the natural competition between yourselves there will be added direct and dealer competition by the banks. In addition, the implied threat of severe competition through the "Sales Plan" may result in such a scramble for paper that rates may then be broken down to their present level or even lower. This certainly will be true if all the machinery of the competitive forces is set in motion during the immediate post-war period of relatively low volume, and low rates developed as a result might well be carried forward into the period of high volume which will occur with the complete resumption of production of civilian goods.

### Views on Money Market

It was suggested that I give you my views of the money market for installment sales companies in the post-war period. Perhaps I can cover this best by summarizing briefly what I said to you last year, since nothing has occurred in the interim to change my views on the subject. Any consideration of the future of interest rates in this country and the effects of possible rate changes is confronted immediately with the fact that weighty reasons exist, as a matter of national policy, for keeping rates comparatively steady if possible during and after the war, at least for a number of years. The tremendous public debt and the large security holdings of banks create an unprecedented condition that will continue to have a very important influence on monetary policy.

The need for stable interest rates will no doubt be greatly stressed in the future, and it would be hazardous to make any positive predictions beyond the two or three years of transition from war to peace. Low interest rates prevailed in this country for some years before we entered the war. They developed under peace conditions and not as a war finance policy. Excess reserves created through the influx of gold from Europe and our purchasing policy for the metal led banks to invest large amounts in securities and to compete for available loans, thereby driving interest rates lower and lower. The Treasury

took advantage of the prevailing low rates when we entered the war and, after some adjustments, especially in short-term rates, stabilized the whole rate structure, with the help of the Federal Reserve System.

The Treasury has left no doubt that it intends to keep rates stabilized at about the present level, that is, three-eighths per cent for ninety-day bills and two and one-half per cent for long term bonds. Financing the war on this level of rates will mean an average cost of less than two per cent and will save the government, at present at least, enormous amounts of money in interest charges. There will be, however, influences toward higher rates, principally through industrial capital demands for both fixed and working funds, to carry out the transition from war to peace. It is well also to consider that we have an estimated one hundred twenty-five billion dollars in savings represented by cash or assets easily liquidated into cash. Any substantial part of these unusually large savings poured into the post-war market for goods, both durable and non-durable, would result in a period of high business activity and in rising prices. Increasing business activity and rising prices undoubtedly would create demands for credit, which in turn would bring an upward pressure on interest rates.

Since 1935 The First National Bank of Chicago has maintained statistics and compiled ratios obtained from the audit reports and supplemental information furnished us in questionnaires by a number of our finance company accounts. From the ratios of the individual companies we have prepared a composite analysis each six months, and since the figures are from companies who enjoyed a major portion of the total volume, we believe our composite ratios reflect the industry as a whole. The information has been most valuable in following the trend not only of the individual companies, but also of the industry as well.

In our ratio analysis we place greater emphasis upon the liquidity of the company than upon the debt ratio. We, of course, consider the debt ratio of the company, but we feel that liquidity, reflecting the quality of the assets of the company, should be a more important factor in appraising any finance company credit. Application of the liquidity ratio favors the well-operated company, the company that does not go overboard on terms, and penalizes the company that for competitive or other reasons is always going one step further than other companies in stretching terms. It also enables the well-operated company which keeps terms in line to borrow relatively more than would be possible under the inflexible debt to net worth or working capital arrangement, which system assumes that all receivables have the same degree of liquidity.

I should like to quote a few of the more pertinent ratios, which will show that generally your operations were quite conservative and that consumers maintained a surprisingly good repayment record. On December 31, 1935, the composite analysis shows a ratio of debt to working capital of 2.6 to 1 and a liquidity of  $5\frac{1}{2}$  months. In computing this theoretical liquidity we deduct from the total indebtedness cash and wholesale



paper and then relate the monthly maturities of all retail paper and small loans to the balance of the debt.

During 1935 the companies enjoyed an excellent credit experience. Balances delinquent over sixty days were the equivalent of slightly in excess of  $\frac{3}{4}$  of 1 per cent to total retail receivables, and the loss to retail liquidated was only  $\frac{3}{4}$  of 1 per cent. In the last quarter of 1937 we experienced a considerable recession in general business, resulting in high unemployment, which was carried through 1938, and on December 31, 1938, our composite analysis showed the companies to have had a ratio of debt to working capital of 1.5 to 1 and an extremely low liquidity of 3.8 months. At the year end balances delinquent over sixty days were less than 1 per cent of total retail outstandings, and the loss to retail liquidated, while nearly twice that of the preceding year, was still only 1.7 per cent. On December 31, 1941, the ratio of debt to working capital was 2.96 to 1 and the liquidity 6.9 months. Balances delinquent over sixty days to total retail paper were less than  $\frac{3}{4}$  of 1 per cent, and the loss to retail liquidated was .68 per cent.

#### Loss on Retail Paper

The largest loss to retail paper liquidated occurred in 1938, when the finance companies also generally carried a greater amount of paper with balances delinquent over sixty days than during any other period of our ration analysis. This occurred during a period when terms were considerably less conservative than in 1935. There was a gradual deterioration in terms after 1938, and up to the time we entered the war, but even so the loss ratio never approximated the loss that occurred in 1938. During this period, however, unemployment was decreasing and our national economy was on a firmer basis. I feel very strongly that in the post-war period even if the finance companies purchase paper comparable as to down payments and length of time to that purchased after 1938, and our economy has approximately the same position it had in 1938, the paper purchased could be liquidated without severe losses. *It is my firm conviction that if the finance companies maintain in the period immediately ahead the sound operations which have characterized the period just discussed, the banks can safely liberalize their credits to the finance companies beyond the present accepted standards.* ★★★

## "It Happened to Me"

(Beginning on page 7)

alcoholic? Second, we come to believe that in this complex universe of ours there is a power of some kind, character or description, which is greater than we are, and which can restore us to sanity. Third, we make a fearless and searching moral inventory of our own lives, admitting our wrongs and shortcomings, honestly listing assets, if any, on the one side and our deficiencies and liabilities on the other, and then we set out to correct the wrongs we have done. It was not so long ago that I sent checks to two good friends of mine for a gambling loss that I sustained in a friendly contest in 1934. Surely not an obligation in law, but most certainly a moral obligation. In cleaning my house, I must clean it completely or not clean it at all. Fourth, we seek, through daily prayer and meditation, to improve our conscious contact with God, as we understand Him. Fifth, we carry this message to others, that those who are likewise afflicted may have the opportunity of recovery.

We not only carry our message to those who are similarly afflicted, but we are also at their beck and call, day or night, and we go when we are called, we do not just talk about it. We help these men and women, and we work with them, without hope of financial remuneration, for the sole purpose of helping them; and helping them, we help ourselves. We take no pledge, make no promise. We live a day at a time. With God's help, we stay sober today, and we let tomorrow take care of itself. And so these days ripen into weeks, the weeks into months, the months into years, and the years into one endless eternity of joy and happiness in a life of unselfish service and simple, decent living. A person who so lives is released, so to speak, from his desire and obsession to take that which, to him, is poison.

There is no greater stimulus in life than service to others. This knowledge eventually comes even to those of us who have been hard-boiled and cold in our business dealings and in our methodical and precise way of doing things. *When we learn to serve selflessly and without thought of our own personal interests, our difficulties and your difficulties disappear.* ★★★

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### NATIONAL RETAIL CREDIT ASSOCIATION

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## *In Union There Is Strength*

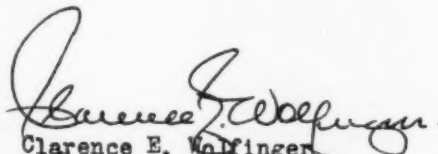
*All your strength is in your union,  
All your danger is in discord,  
Therefore, be at peace henceforward,  
And as brothers live together.*

This quotation from Longfellow's *Song of Hiawatha*, should mean something to the credit executive, for progress can be made only through association and cooperation with his fellow man. Credit knowledge and practice require the exchange of ideas and experiences.

Admitting that the credit man needs the continual contact with his associates in the retail credit profession, one naturally asks how best this can be acquired. There is only one answer and that is through the National Retail Credit Association. And why? Because this Association is local as well as national in its benefits. Many of us know what the credit man is thinking and doing in a local way, but what about the broad national outlook? What about postwar credit problems? Do you think your local picture is a good barometer of the national picture?

Through the National Retail Credit Association, its services and publications, you learn what is on the mind of credit men generally throughout the country. This Association, through its conferences and conventions, builds up friendships which make it possible through such contacts to get firsthand information from Bill, Tom or Joe. He in turn is not only glad but anxious to give you the intimate details of his thinking. It seems to me that it would be foresighted to build up those things now which are going to be helpful when keener credit judgment is essential later.

*Membership in the National Retail Credit Association is, therefore, an investment with large appreciation possibilities.*

  
Clarence E. Wolfinger

CREDIT MANAGER  
LIT BROTHERS, PHILADELPHIA, PA.



